Human Resource
Management

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8

Training Human Resources

Learning Objectives

After you have read this chapter, you should be able to:

1 Define training and discuss why a strategic approach is important.

2 Identify three types of analyses used to determine training needs.

3 Specify how to design and evaluate an orientation program.

4 Explain different means of internal and external training delivery.

5 Describe the importance of e-learning as part of current training efforts.

6 Provide an example for each of the four levels of training evaluation.

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HR HEADLINE

Tuition Reimbursement for New Skills Training

Amazon.com started a program that allows full-time employees to enroll in college courses of their choice. The policy, called the Amazon Career Course Program, was developed to enhance workers' skills and provide individuals the opportunity to study in academic areas that suit their personal preferences. The company pays for 95% of tuition, textbooks, and associated fees up-front for enrollment in accredited programs that provide occupational certificates and associate degrees. Amazon will pay for both traditional on-campus classes and online distance courses, but individuals must be employed by Amazon on an hourly basis in the United States and have worked a total of three consecutive years to sign up for tuition reimbursement.

In addition, Amazon will only provide financial support to individuals who enroll in courses that prepare them to work in high-demand, well-compensated fields such as medical technology, computer design, and aircraft repair. Paying for expenses up-front opens doors for Amazon workers who cannot afford the tuition, books, and fees associated with getting an education.

The motivation to provide such a program is driven by the notion that Amazon can help employees plan and train for their future professional pursuits. Amazon also wanted to provide an innovative program to employees when many other companies were scaling back on benefits, thus enhancing the firm's ability to effectively recruit and keep good talent. Indeed, career advancement is a key concern of employees and has a place in both attraction and retention.

The program can also foster the idea that Amazon cares about employee well-being because individuals get to choose the job skills they would like to acquire or develop. However, companies should also consider the costs associated with tuition reimbursement and the possible resulting turnover and make sure such a program will work for them.[1]

Businesses must change if they are to survive because the environment in which they must compete changes. For this reason, employee training is an ongoing process for most organizations. In the United States more than $126 billion is spent on training annually, or more than $1,000 per employee on average.[2]

Training
Process whereby people acquire capabilities to perform jobs.

Training is the process whereby people acquire capabilities to perform jobs. Training provides employees with specific, identifiable knowledge and skills for use in their present jobs. Organizational training may include "hard" skills, such as teaching sales representatives how to use intranet resources, showing a branch manager how to review an income statement, or helping a machinist apprentice how to set up a drill press. "Soft" skills are critical in many instances and can be taught as well. These skills may include communicating, mentoring, managing a meeting, and working as part of a team.

Some companies are using social media to aid in the training process. Verizon, for example, uses three social media approaches to train. Device Blog is used to support new wireless device launches. It is modeled after tech blogs and provides general information, how-to videos, and trouble-shooting tips. Device Forums uses learning from peers for retail employees by asking questions, posting tips, and serving as a crosscheck. Learning Communities allow employees to complete online device training modules and discover "do's and don'ts" in dealing with a new device. Topics mirror the customer's experience.[3]

8-1 ■ TRAINING AND HUMAN RESOURCES

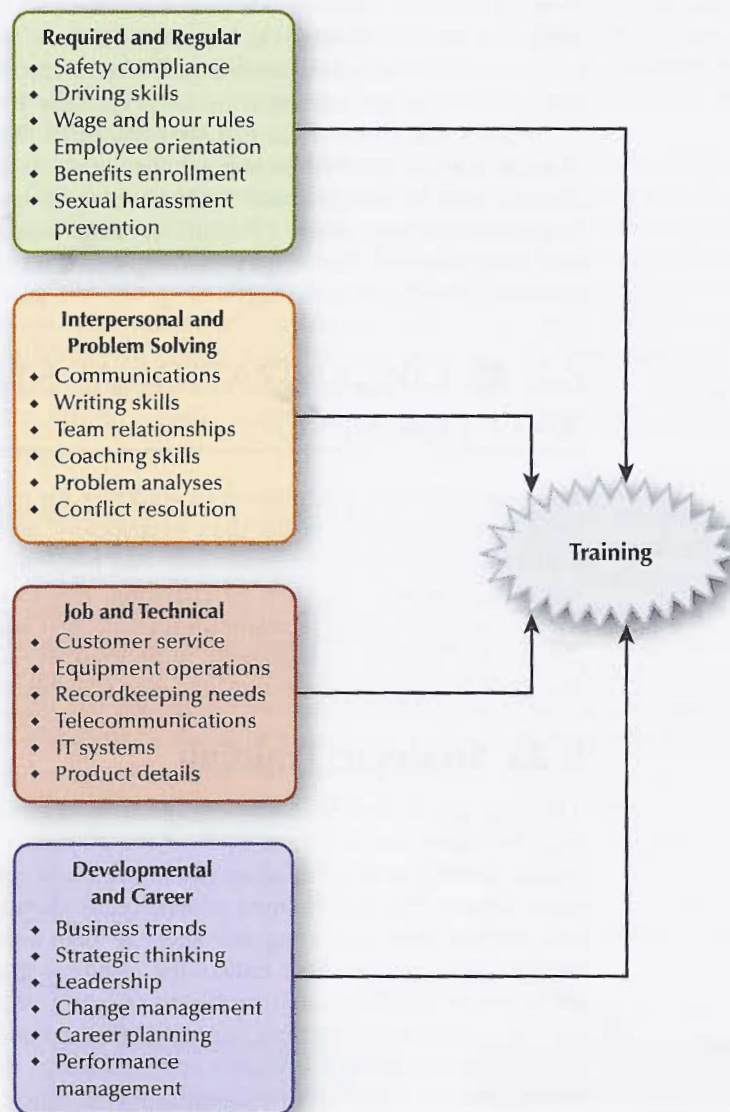**LO1** Define training and discuss why a strategic approach is important.

What kinds of activities usually require training? Common training topics include safety, customer service, computer skills, quality initiatives, dealing with sexual harassment, and communication. Benefits of well-done training for individuals include enhanced skills, greater ability to adapt and innovate, better self-management, and performance improvement. For organizations, training can bring improvements in effectiveness and productivity, more profitability and reduced costs, improved quality, and increased human capital.

8-1a Training Categories

Training can be designed to meet many objectives and can be classified in various ways. As Figure 8-1 shows, some common groupings of training include the following:

- *Required and regular training*: Complies with various mandated legal requirements (e.g., OSHA and EEO) and is given to all employees (e.g., new employee orientation)
- *Interpersonal and problem-solving training*: Addresses both operational and interpersonal problems and seeks to improve organizational working relationships (e.g., interpersonal communication, managerial/supervisory skills, and conflict resolution)[4]
- *Job and technical training*: Enables employees to perform their jobs better (e.g., product knowledge, technical processes and procedures, customer relations)
- *Developmental and career training*: Provides longer-term focus to enhance individual and organizational capabilities for the future (e.g., business practices, executive development, organizational change, and leadership)

It is common for a distinction to be drawn between *training* and *development*, with development being broader in scope and focusing on individuals' gaining new capabilities useful for both present and especially future jobs. Development is discussed in Chapter 9. Training is the focus of this chapter.

FIGURE 8-1 Types of Training

Required and Regular
- Safety compliance
- Driving skills
- Wage and hour rules
- Employee orientation
- Benefits enrollment
- Sexual harassment prevention

Interpersonal and Problem Solving
- Communications
- Writing skills
- Team relationships
- Coaching skills
- Problem analyses
- Conflict resolution

Job and Technical
- Customer service
- Equipment operations
- Recordkeeping needs
- Telecommunications
- IT systems
- Product details

Developmental and Career
- Business trends
- Strategic thinking
- Leadership
- Change management
- Career planning
- Performance management

Training

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8-1b Legal Issues and Training

Some legal issues must be considered when designing and delivering training. One concern centers on the criteria and practices used to select individuals for inclusion in training programs. Organizations need to make sure these factors are job related and do not result in disparate impact because training can be an opportunity to advance in the organization. Also, failure to accommodate the participation of individuals with disabilities in training can expose organizations to EEO lawsuits. Using psychological assessments, to identify soft skills like emotional intelligence falls under the uniform guidelines and must be validated.[5]

Another legal issue involves requiring employees to sign *training contracts* to protect the costs and time invested in specialized employee training. For instance,

a telecommunications firm paid $17,000 each to train four network technicians and certify them in specialized equipment. The firm required that each technician sign a training contract whereby one-fourth of the cost would be forgiven each year the employee stayed following the training. A technician who left sooner would be liable to the firm for the unforgiven balance. Health care organizations, IT firms, and other employers often use training contracts, especially for expensive external training.

Finally, the Department of Labor has ruled that nonexempt employees who are training outside normal working hours (e.g., at home by completing Web-based classes) must be compensated for their time. In one situation, a company required employees to spend about 10 hours at home completing a Web-based class. In this case, the company had to pay the employees for their 10 hours of training under the Fair Labor Standards Act.[6]

8-2 ■ ORGANIZATIONAL STRATEGY AND TRAINING

Training represents a significant expenditure for most employers. However, it is too often viewed tactically rather than strategically, which means that training is seen as a short-term activity rather than one that has longer-term effects on organizational success. However, this may be changing. For example, during the last recession, some companies chose to maintain training that was necessary for long-term strategic goals. Training is frequently supported by words from management, but is among the first expenses to be cut when times get difficult.[7]

8-2a Strategic Training

Training can indeed help the organization accomplish its goals. For example, if sales increases are a critical part of the company's strategy, appropriate training would identify what is causing lower sales and recommend a solution. For maximum impact HR and training professionals should get involved with the business and partner with operating managers to help solve their problems. Additionally, strategic training can help reduce the mind-set that training alone can solve most employee or organizational problems. It is not uncommon for operating managers and trainers to react to most important performance problems by saying, "I need a training program on X." With a strategic focus, the organization is more likely to assess whether training can actually address these issues and what else might be done. Training alone cannot fix all organizational problems.

The value of training can be seen at Walt Disney World where the company has established specific training plans. The implementation of those training plans results in a distinct competitive advantage for the organization. For example, at the Disney Institute, employees (called "cast members") get training experience from their guests' perspectives. As a part of their training, individuals taking hotel reservations stay at a resort as guests to gain greater understanding of what they are selling and to experience the services themselves. The training is so effective the company markets the training program.

However, not *all* training is effective. Only one-quarter of respondents to a McKinsey survey said their training programs measurably improved business performance, and most companies don't measure training effectiveness. Most simply ask whether participants liked the training or not.[8] To be a strategic investment training must align with company goals and provide something of value.

8-2b Organizational Competitiveness and Training

General Electric, Dell, Motorola, Marriott, Cisco, FedEx, and Texas Instruments all emphasize the importance of training employees and managers. These companies and others recognize that training efforts can be integral to business success. For these companies, training is similar to the "continuous improvement" practiced by some manufacturing firms.

The nature of technological innovation and change is such that if employees are not trained all the time, they may fall behind and the company could become less competitive. Without continual training, organizations may not have staff members with the knowledge, skills, and abilities (KSAs) needed to compete effectively.[9]

Training also can affect organizational competitiveness by aiding in the retention of employees. One reason why many individuals may stay or leave organizations is the availability of career training and development opportunities. Employers who invest in training and developing their employees may enhance retention efforts.[10] Figure 8-2 shows how training may help accomplish certain organizational strategies.

Knowledge **management**

The way an organization identifies and leverages knowledge to be competitive.

Knowledge Management For much of history, competitive advantage among organizations was measured in terms of physical capital. However, as the information age has evolved, "intelligence" has become the raw material that many organizations make and sell through their "knowledge workers."[11] **Knowledge management** is the way an organization identifies and leverages knowledge to be competitive.[12] It is the art of creating value by using intellectual capital, which is what the organization (or, more exactly, the people in the organization) knows. Knowledge management is a conscious effort to get the right knowledge to the right people at the right time so that it can be shared and put into action.[13]

FIGURE 8-2 Linking Strategies and Training

Organizational Strategies	Necessary Outcomes to Implement Strategies	Training Activities
• Increase sales	• Identify key sales elements and train sales force	• Performance consulting, design training
• Expand into overseas market	• Assign key people and provide necessary global training	• Intercultural competence, language training
• Develop new product line	• Train production and sales on new products	• New product training, production practice, sales simulations
• Acquire competitor company	• Assimilate employees from new company, and provide orientation and training	• Onboarding, corporate culture training

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Training as a Revenue Source and Other Positive Outcomes Some organizations have identified that training can be a source of business revenue, as well as other positive outcomes. For instance, Microsoft, Ceridian, Cisco, Hewlett-Packard, and other technology firms bundle customer training with products and services they sell. Also, manufacturers of industrial equipment offer customers training on machine upgrades and new features. Customers of many of these firms pay for additional training either by course, by participant, or as part of equipment or software purchases. Not only are the costs of the trainers' salaries, travel, and other expenses covered, but the suppliers also make a profit on the training through the fees paid by customers. As a side benefit, customer satisfaction and loyalty increase if customers know how to use the products and services purchased. Thus, customer training can aid customer retention and enhances future sales revenues. The HR Skills and Applications: Building Support for Training discusses how HR professionals can increase support for training.

HR SKILLS AND APPLICATIONS

Building Support for Training

Some executives are not very interested in training and see such efforts as a serious cost to businesses. Consequently, HR professionals need to make a strong case for training by showing how individual learning can enhance the bottom line. In particular, they must effectively communicate to top leaders how training activities prompt positive *results* in the organization, especially if they want to generate sustained support for these programs in the long term. These results can include revenues and expenses, performance and productivity, employee and customer attitudes, quality improvement, turnover, and many other metrics.

HR managers can explore many questions when trying to build a strong argument for training:

[Q]: Is there a definite link between training and business outcomes?

[Q]: Do training efforts actually lead to positive outcomes in the organization?

[Q]: Is the link between training and results coincidental?

[Q]: Is the link between training activities and business outcomes because of a correlation between the factors?

The answers to these questions can be difficult to determine in practice because so many factors influence cause-and-effect relationships. For instance, it can seem impossible at times to isolate one factor from many variables that can contribute to a positive organizational outcome. Sometimes, the positive business result is purely coincidence because it would have occurred without any help from the training function of the company, and it would have happened even if there had been no training.

The best way for HR professionals to build support for training inside the organization is to consider the following steps:

- Utilize the data that is generated from a company's financial and operational systems for analysis.
- Identify the overarching goals of training (i.e., increased customer service, enhanced work attitudes, greater job performance, etc.).
- Try to establish a link between the objectives and the positive outcomes experienced by the company.[14]

Integration of Performance with Training Job performance, training, and employee learning must be integrated to be effective. Organizations find that training experiences that use real business problems to advance employee learning are better than approaches that do not. Rather than separating the training experience from the context of actual job performance, trainers can incorporate everyday business issues as learning examples, thus increasing the realism of training exercises and scenarios. For example, as part of management training at General Electric, managers are given actual business problems to solve, and they must present their solutions to business leaders. Using real situations for practice is yet another way of merging the lines between training, learning, and job performance.

Sales Training Organizational competitiveness in many industries hinges on the success of the sales function. Innovative products or services do not magically find customers—they require well-prepared professional salespeople to inform the appropriate audience. A key element in sales force success is often the training opportunities available. While slightly over one-third of firms can directly connect sales training to improved sales or ROI, 85% do track such measures as increase in closes, improved client relationships, and reduction in cost per sale as a result of sales training.[15]

Organizations frequently focus their primary sales training efforts on large annual or biannual events. This is an expensive method of training because of travel costs, instruction costs, and reduced sales hours during training. Salespersons are often social beings and an event that provides for sharing experiences with peers is usually well received. However, a mix of other approaches can cut costs and can also be effective. Simulations, Web conferences, e-learning, self-paced learning, and virtual coaching can all be used to leverage sales training. Using such advances presents some challenges to the trainers who must develop them but presents flexibility and opportunity if done well.[16]

Sales training can cover a wide variety of skills: call execution, presentation skills, negotiation skills, strategy development, and other skills that lend themselves well to simulation of the sales situation.[17] Sales simulations are one logical training tool that can help the sales force be more competitive and successful.

8-2c Global Competitiveness and Training

For a global firm, the most brilliant strategies ever devised will not serve to improve competitiveness unless the company has well-trained employees throughout the world to carry them out. A global look at training is important as firms establish and expand operations worldwide. For U.S. employers, the challenge has increased because of the decline in specialized skilled and technical workers. Considering the number of global employees with international assignments, training is part of global competitive success.

Global Assignment Training The orientation and training that expatriates and their families receive before departure significantly affect the success of an overseas assignment. When these programs are offered, most expatriates participate in them, usually producing a positive effect on cross-cultural adjustment. Also, training helps expatriates and their families adjust to and deal with host-country counterparts. A recent survey showed that companies recognize that their expatriates often are well-trained in skills and technical capabilities but much less well prepared for the host country culture.[18]

A related issue is the promotion and transfer of foreign citizens to positions in the United States. For example, many Japanese firms operating in the United States conduct training programs to prepare Japanese employees and their families for the food, customs, labor and HR practices, and other facets of working and living in the United States. As more global organizations start or expand U.S. operations, more cross-cultural training will be necessary for international employees relocated to the United States.[19]

Intercultural Competence Training Global employers are providing intercultural competence training for their global employees. Intercultural competence incorporates a wide range of human social skills and personality characteristics. As noted in Figure 8-3, three components of intercultural competence require attention when training expatriates for global assignments:

- *Cognitive*: What does the person know about other cultures?
- *Emotional*: How does the person view other cultures, and how sensitive is the person to cultural customs and issues?
- *Behavioral*: How does the person act in intercultural situations?

Increasingly, global employers are using training methods that allow individuals to behave in international situations and then receive feedback. One method is the Culture Assimilator. Used worldwide, especially by European-based firms, the Culture Assimilator is a programmed training and learning method consisting of short case studies and critical incidents. The case studies describe intercultural interactions and potential misunderstandings involving expatriates and host-country nationals.

In China, intercultural competence training takes a slightly different turn. Companies in China face a big challenge in finding, training, and keeping skilled employees who can thrive in Western-style multinational corporations (MNCs). China has a workforce of 800 million, but only a small percentage is considered skilled enough to work in MNCs. The Chinese educational system does not teach the range of needed skills, so companies are educating and training workers.

Chinese culture encourages learning and growth. A Chinese proverb says, "If you want 100 years of prosperity, grow people," so Chinese employees

FIGURE 8-3 Intercultural Competence Training

Component	Possible Training
Cognitive	• Culture-specific training (traditions, history, cultural customs, etc.) • Language course
Emotional	• *Uneasiness*: Social skills training focusing on new, unclear, and intercultural situations • *Prejudices*: Coaching may be clarifying • *Sensitivity*: Communication skills course (active listening, verbal/nonverbal cues, empathy)
Behavioral	• Culture Assimilator method • International projects • Social skills training focusing on intercultural situations

Source: Developed by Andrea Graf, PhD, and Robert L. Mathis, PhD, SPHR.

usually value the opportunity to be trained. In fact, if they see companies bring in expatriates or non-Chinese workers, they view those companies as having only a short-term investment in China and to be less likely to offer career growth. Available training is a retention tool that Chinese employees are apparently demanding.[20]

8-3 ■ PLANNING FOR TRAINING

Whether global, national, or local in scope, training efforts benefit from careful planning before it is provided. Planning includes looking at the big picture in which the training takes place, as well as specifics for the design of a particular training effort. For example, the needs for skills have changed over time and soft skills like adaptability, problem solving, and professionalism have increased in value in some firms. Planning that recognizes and includes changes such as these may make for a more effective training program.

Another training planning issue for some companies is knowledge retention for the firm. When retirees leave, they take everything they have learned during a career. Perhaps a retiree is the only one in the company who knows how to operate a piece of machinery or mix a certain chemical solution. In some areas, technology changes so fast that even young people leaving a company may take with them information that cannot easily be replicated. Companies are responding to the need for knowledge retention in various ways, including identifying critical employees, having existing critical employees train and mentor others, producing white papers, and keeping former employees on call for a period of time after their departure.

Training plans allow organizations to identify what is needed for employee performance *before* training begins so that there is better alignment between training and strategic needs. Effective training planning efforts consider the following questions:

- Is there really a need for the training?
- Who needs to be trained?
- Who will do the training?
- What form will the training take?
- How will knowledge be transferred to the job?
- How will the training be evaluated?

8-3a Planning for New Employees: Orientation/Onboarding

A good example of one kind of training that requires planning is orientation. Also called *onboarding*, orientation is the most important and widely conducted type of regular training done for new employees.

Orientation
Planned introduction of new employees to their jobs, coworkers, and the organization.

Orientation, which is the planned introduction of new employees to their jobs, coworkers, and the organization, is offered by most employers. It requires cooperation between individuals in the HR unit and operating managers and supervisors.[21] In a small organization without an HR department, the new employee's supervisor or manager usually assumes most of the responsibility for orientation.[22] In large

organizations, managers and supervisors, as well as the HR department, often work as a team to orient new employees. Unfortunately, without good planning, new employee orientation sessions can come across as boring, irrelevant, and a waste of time to both new employees and their department supervisors and managers. But orientation which can also be thought of as institutionalized socialization tactics can be very effective—if done well.

Among the decisions to be made when planning for new employee orientation are *what* to present and *when* to present it. Too much information on the first day leads to perceptions of ineffective onboarding. Several shorter sessions over a longer period of time, bringing in information as it is needed, are more effective. Effective orientation achieves several key purposes:

- Establishes a favorable employee impression of the organization and the job
- Provides organization and job information
- Enhances interpersonal acceptance by coworkers

HR PERSPECTIVE

Satisfying the Millennial Generation with Innovative Onboarding

Effective employee onboarding requires careful planning and preparation, but the orientation process also needs to be innovative enough to get employees excited about working for the company. Fox Filmed Entertainment has designed such an onboarding program to better connect with its tech-oriented and motivated workforce, which is staffed with many individuals from the millennial generation. To make orientation more entertaining and show younger workers that the company understands their generational preferences and icons, the Bart Simpson character from the television show *The Simpsons* appears in the orientation video shown to new hires.

The natural-gas pipeline firm El Paso Corp. headquartered in Houston, TX also developed an innovative onboarding process geared to better resonate with technology-driven younger employees. Onboarding at the company is now all automated, which greatly reduces the amount of time needed to complete the process. This change has led to significant cost savings in the millions of dollars for the organization, and it shows employees that the firm can be technology-oriented.

There is strong reason to believe that other companies would benefit from considering these trends. A recent KRC Research study sponsored by Microsoft and Insurity found that younger individuals employed in the insurance field prefer more innovation and technology in the office environment such as virtual communication, social networking media, and real-time messaging. These findings underscore the fact that younger staff members are more interconnected from a technology perspective, and they often seek these experiences in the workplace. Onboarding and orientation programs can be linked to these preferences by including in them more automation and technology. Companies can also make onboarding more entertaining by better matching the company's brand with individuals' employment experiences.[23]

- Accelerates socialization and integration of the new employee into the organization
- Ensures that employee performance and productivity begin more quickly

Electronic Orientation Resources One way of improving the efficiency of orientation is to use electronic resources. Most employers have implemented some kind of electronic onboarding activities to improve their employee orientation efforts.[24] Employers can place general employee orientation information on company intranets or corporate websites. New employees log on and review much of the general material on organizational history, structure, products and services, mission, and other background, instead of sitting in a classroom where the information is delivered in person or by video. Specific questions and concerns can be addressed by HR staff and others after employees have reviewed the web-based information.

Other companies may use electronic resources a bit differently. For example, at one company, when candidates accept an offer, they get an e-mail with a link to a password-protected website that welcomes them. They fill out their I-9, W-2, and other forms on that website from home. Before reporting to work, they get daily e-mails explaining where to park, where to get uniforms, and where to drop off their dry cleaning. Assigning a desk, getting a computer and security clearance, and many other orientation tasks are all done before the first day on the job by electronic onboarding. The HR Perspective: Satisfying Millennial Generation shows other examples.
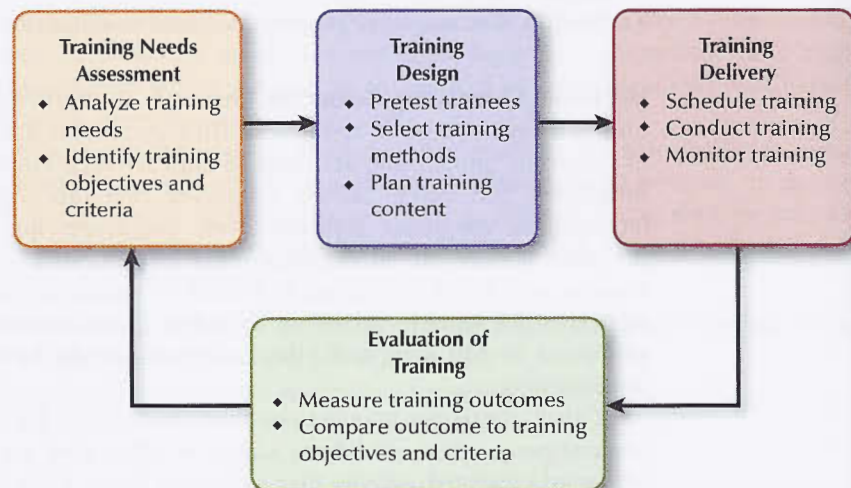
8-3b Orientation: Evaluation and Metrics

MEASURE

Although orientation is important and can provide many advantages for both the organization and the new employee, it is not always done well.[25] To determine the effectiveness of an orientation training program, evaluation using specific metrics is appropriate. Measurement should be made of the success of both the orientation program *and* the new hires themselves. Suggested metrics include the following:[26]

- *Tenure turnover rate*   What percentage of new hires left the organization in 6 months or less?
- *New hires failure factor*   What percentage of the total annual turnover was new hires?
- *Employee upgrade rate*   What percentage of new employees received a high performance rating?
- *Development program participation rate*   What percentage of new employees have moved on to training for or promotion to higher jobs?

Successfully integrating new hires is important, and measuring the degree of success allows the orientation program to be managed well. The way in which a firm plans, organizes, and structures its training affects the way employees experience the training, which in turn influences the effectiveness of the training. After good planning, effective training requires the use of a systematic training process. Figure 8-4 shows the four phases of a systematic approach: assessment, design, delivery, and evaluation. Using such a process reduces the likelihood that unplanned, uncoordinated, and haphazard training efforts will occur.

FIGURE 8-4 Systematic Training Process

Training Needs Assessment
- Analyze training needs
- Identify training objectives and criteria

Training Design
- Pretest trainees
- Select training methods
- Plan training content

Training Delivery
- Schedule training
- Conduct training
- Monitor training

Evaluation of Training
- Measure training outcomes
- Compare outcome to training objectives and criteria

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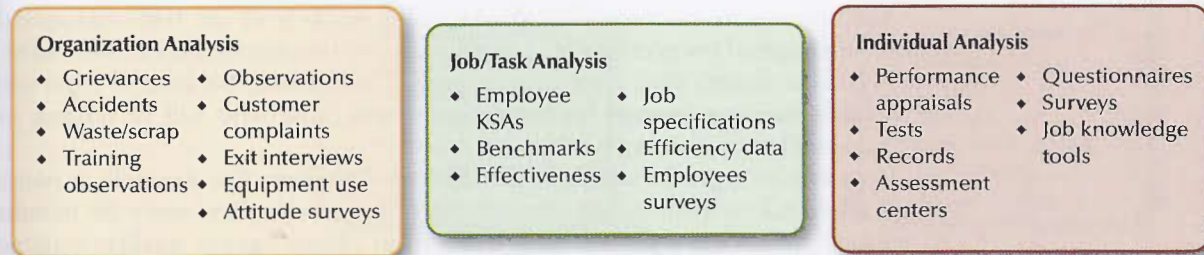**L02** Identify three types of analyses used to determine training needs.

8-4 ■ TRAINING NEEDS ASSESSMENT

Assessing organizational training needs is the diagnostic phase of a training plan. This assessment includes issues related to employee and organizational performance to determine if training can help. Needs assessment measures the competencies of a company, a group, or an individual as they relate to what is required. It is necessary to find out what is happening and what should be happening before deciding if training will help, and if so what kind of training is needed. For instance, suppose that in looking at the performance of clerks in a billing department, a manager identifies problems that employees have with their data-entry and keyboarding abilities, and she decides that they would benefit from instruction in these areas. As part of assessing the training needs, the manager has the clerks take a data-entry test to measure their current keyboarding skills. Then the manager establishes an objective of increasing the clerks' keyboarding speed to 60 words per minute without errors. The number of words per minute without errors is the criterion against which training success can be measured, and it represents the way in which the objective is made specific.

8-4a Analysis of Training Needs

The first step in assessing training needs is analyzing what training might be necessary. Figure 8-5 shows the three sources used to analyze training needs.

Organizational Analysis Training needs can be diagnosed by analyzing organizational outcomes and looking at future organizational needs. A part of planning for training is the identification of the KSAs that will be needed now and in the future as both jobs and the organization change. Both internal and external forces will influence training and must be considered when doing organizational analysis. For instance, the problems posed by the technical obsolescence of current employees

FIGURE 8-5 Sources of Information for Needs Assessment

Organization Analysis
- Grievances   • Observations
- Accidents   • Customer
- Waste/scrap   complaints
- Training   • Exit interviews
  observations   • Equipment use
                   • Attitude surveys

Job/Task Analysis
- Employee   • Job
  KSAs   specifications
- Benchmarks   • Efficiency data
- Effectiveness   • Employees
                    surveys

Individual Analysis
- Performance   • Questionnaires
  appraisals   • Surveys
- Tests   • Job knowledge
- Records   tools
- Assessment
  centers

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and an insufficiently educated labor pool from which to draw new workers should be confronted and incorporated in the training design.

Organizational analysis comes from various measures of organizational performance. Departments or areas with high turnover, customer complaints, high grievance rates, high absenteeism, low performance, and other deficiencies can be pinpointed. Following the identification of problems, objectives can be developed if training is a solution. During organizational analysis, focus groups of managers can be used to evaluate changes and performance that might require training.

Job/Task Analysis A second level of analyzing training needs is to review the jobs involved and the tasks performed. By comparing the requirements of jobs with the KSAs of employees, training needs can be identified.[27] For example, at a manufacturing firm, analysis identified the tasks performed by engineers who served as technical instructors for other employees. By listing the tasks required of a technical instructor, HR established a program to teach specific instructional skills and the engineers were able to become more successful instructors.

Another way to pinpoint training gaps in the job or task being done is to survey employees, and have them anonymously evaluate the current skill levels of themselves and their peers. This not only identifies job needs but also heightens employees' awareness of their own learning needs. A training needs survey can take the form of questionnaires or interviews with supervisors and employees individually or in groups. Web-based surveys, requests, and other inputs from managers and employees can be used to identify training needs or jobs.

A good example of needs assessment for a particular job occurred in the construction industry where there was a rash of accidents among Spanish-speaking construction workers. Construction companies recognized the need for training in English as a second language for many people. Restaurants, hospitals, and hotels have faced the same issue for certain jobs.

Individual Analysis The third means of diagnosing training needs focuses on individuals and how they perform their jobs.

The most common approach for making individual analysis is to use performance appraisal data. In some instances, a good HR information system can be used to identify individuals who require training in specific areas to be eligible for promotion. To assess training needs through the performance appraisal process, a supervisor first determines an employee's performance strengths and inadequacies

in a formal review. Then the supervisor can design training to help the employed overcome the weaknesses and enhance the strengths.

Another way of assessing individual training needs is to use both managerial and nonmanagerial (or peer) input about the kind of training that is needed. Individuals can also identify their own training needs.[28] Obtaining this kind of input can be useful in building support for the training from those who will be trained, as they help to identify training needs.

Tests can be a good means of individual-level analysis. For example, a police officer might take a qualification test with his or her service pistol every six months to indicate the officer's current skill level. If an officer cannot qualify, training would certainly be necessary.

8-4b Establishing Training Objectives and Priorities

Once training requirements have been identified using needs analyses, training objectives and priorities can be established by a "gap analysis," which indicates the distance between where an organization is with its employee capabilities and where it needs to be. Training objectives and priorities are then determined to close the gap.[29] Three possible areas for training objectives can be:

- *Attitude*: Creating interest in and awareness of the importance of something (e.g., sexual harassment training)
- *Knowledge*: Imparting cognitive information and details to trainees (e.g., understanding how a new product works)
- *Skill*: Developing behavioral changes in how jobs and various task requirements are performed (e.g., improving speed on an installation)

The success of training should be measured in terms of the objectives that were set for it. Useful objectives are measurable. For example, an objective for a new sales clerk might be to *demonstrate the ability to explain the function of each product in the department within two weeks*. This objective checks *internalization*, that is, whether the person really learned the training content and is able to use the training.

Since training seldom is an unlimited budget item and because organizations have multiple training needs, prioritization is necessary. Ideally, management looks at training needs in relation to strategic plans and as part of the organizational change process. Then the training needs can be prioritized on the basis of objectives. Conducting the training most needed to improve organizational performance will produce visible results more quickly.
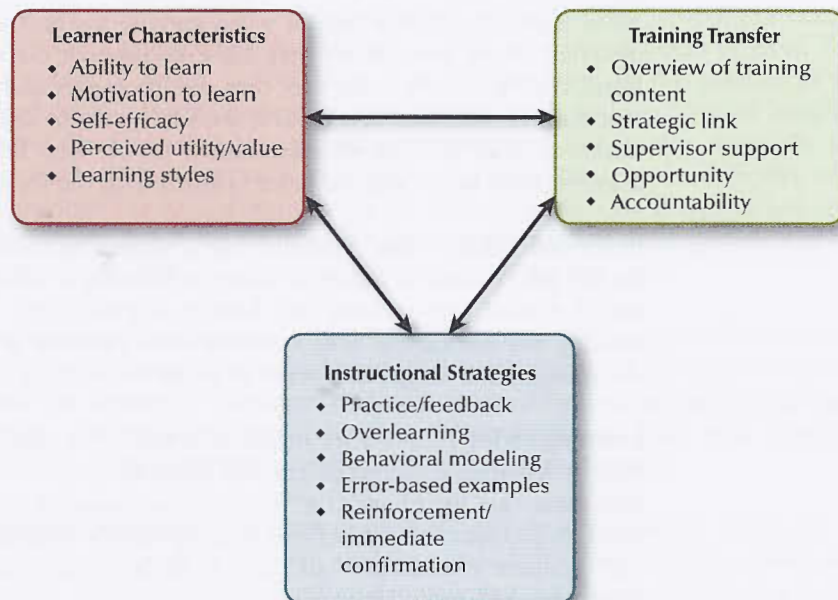
8-5 ■ TRAINING DESIGN

L03 Specify how to design and evaluate an orientation program.

Once training objectives have been determined, training design can start. Whether job-specific or broader in nature, training must be designed to address the specific objectives. Effective training design considers the learners and instructional strategies, as well as how to maximize the transfer of training from class to the job site.

Working in organizations should be a continual learning process. Different approaches are possible because learning is a complex psychological process. Each of the elements shown in Figure 8-6 must be considered for the training design to be effective and produce learning.

FIGURE 8-6 Training Design Elements

Learner Characteristics
- Ability to learn
- Motivation to learn
- Self-efficacy
- Perceived utility/value
- Learning styles

Training Transfer
- Overview of training content
- Strategic link
- Supervisor support
- Opportunity
- Accountability

Instructional Strategies
- Practice/feedback
- Overlearning
- Behavioral modeling
- Error-based examples
- Reinforcement/ immediate confirmation

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8-5a Learner Characteristics

For training to be successful, learners must be ready and able to learn. Learner readiness means that individuals have the ability to learn. However, individuals also must have the motivation to learn, have high confidence, see value in learning, and have a learning style that fits the training.

Ability to Learn Learners must possess basic skills, such as fundamental reading or math proficiency, and sufficient cognitive abilities. Companies may discover that some workers lack the cognitive ability to comprehend their training. Some have found that a significant number of job applicants and current employees lack the reading, writing, and math skills needed to learn the jobs. Employers might deal with the lack of basic employee skills in several ways:

- Offer remedial training to existing employees who need it.
- Test and hire workers who already have the necessary skills.
- Work with local schools to help better educate potential hires for jobs.

Motivation A person's desire to learn training content, referred to as *motivation to learn*, is influenced by multiple factors. For example, differences in gender and ethnicity and the resulting experiences may affect the motivation of adult learners. The student's motivational level may also be influenced by the instructor's motivation and ability, friends' encouragement to do well, classmates' motivational levels, the classroom's physical environment, and the training methods used. Regardless of what motivates without that motivation, the student will not learn the material.

Self-Efficacy Learners must possess **self-efficacy**, which refers to people's belief that they can successfully learn the training program content. For learners to be ready for

Self-efficacy
People's belief that they can successfully learn the training program content.

and receptive to the training content, they must believe that it is possible for them to learn the material. As an example, some college students' levels of self-efficacy diminish in math or statistics courses when they do not feel adequately able to grasp the material. These perceptions may have nothing to do with their actual ability to learn, but rather reflect the way they see themselves and their abilities.[30] Instructors and trainers must find appropriate ways to boost the confidence of trainees who are unsure of their learning abilities because people who believe strongly that they can learn perform better and are more satisfied with the training they receive.

Perceived Utility/Value Training that is viewed as useful is more likely to be tried on the job. Perceived utility or value of training is affected by a need to improve, the likelihood that training will lead to improvement, and the practicality of the training for use on the job. Learners must perceive a close relationship between the training and things they want in order for training to be used on the job.

Learning Styles People learn in different ways. For example, *auditory* learners learn best by listening to someone else tell them about the training content. *Tactile* learners must "get their hands on" the training resources and use them. *Visual* learners think in pictures and figures and need to see the purpose and process of the training. Trainers who address all these styles by using multiple training methods can design more effective training.

Adult learning
Ways in which adults learn differently than younger people.

Training design must also sometimes address special issues presented by **adult learning**. Certainly, the training design must consider that all the trainees are adults, but adults come with widely varying learning styles, experiences, and personal goals. For example, training older adults in technology may require greater attention to explaining the need for changes and enhancing the older trainees' confidence and abilities when learning new technologies. In contrast, younger adults are more likely to be familiar with new technology because of their earlier exposure to computers and technology, but less able to work alone to learn skills.

Malcolm Knowles's classic work on adult learning suggests five principles for designing training for adults.[31] According to that work and subsequent work by others, adults

- have the need to know why they are learning something;
- have a need to be self-directed;
- bring more work-related experiences into the learning process;
- enter into a learning experience with a problem-centered approach to learning; and
- are motivated to learn by *both* extrinsic and intrinsic factors.

8-5b Instructional Strategies

An important part of designing training is to select the right mix of teaching strategies to fit learner characteristics. Practice/feedback, overlearning, behavioral modeling, error-based examples, and reinforcement/immediate confirmation are some of the prominent strategies available in designing the training experience.

Active practice
Performance of job-related tasks and duties by trainees during training.

Practice/Feedback For some training, it is important that learners practice what they have learned and get feedback on how they have done so they can improve. **Active practice** occurs when trainees perform job-related tasks and duties during training. It is more effective than simply reading or passively listening. For instance, assume a person is being trained as a customer service representative. After being

given some basic selling instructions and product details, the trainee calls a customer and uses the knowledge received.

Spaced practice
Practice performed in several sessions spaced over a period of hours or days.

Active practice can be structured in two ways. The first, **spaced practice**, occurs when several practice sessions are spaced over a period of hours or days. The second, **massed practice**, occurs when a person performs all the practice at once.[32] Spaced practice works better for some types of skills and for physical learning that requires "muscle memory," whereas massed practice is usually more effective for other kinds of learning, such as memorizing tasks. Imagine the difficulty of trying to memorize the lists of options for 20 dishwasher models if memorized at a rate of one model a day for 20 days. By the time the appliance salespeople had learned the last option, they likely would have forgotten the first one.

Massed practice
Practice performed all at once.

Overlearning Overlearning is repeated practice even after a learner has mastered the performance. It may be best used to instill "muscle memory" for a physical activity to reduce the amount of thinking necessary and make responses automatic. But overlearning also produces improvement in learner retention. Even with overlearning, refreshers are still sometimes necessary to maintain proficiency.

Behavioral modeling
Copying someone else's behavior.

Behavioral Modeling The most elementary way in which people learn and one of the best is through **behavioral modeling**, which involves copying someone else's behavior. The use of behavioral modeling is particularly appropriate for skill training in which the trainees must use both knowledge and practice. It can aid in the transfer of skills and the usage of those skills by those who are trained. For example, a new supervisor can receive training and mentoring on how to handle disciplinary discussions with employees by observing as the HR director or department manager deals with such problems.

Behavioral modeling is used extensively as the primary means for training supervisors and managers in interpersonal skills.[33] Fortunately or unfortunately, many supervisors and managers end up modeling behaviors they see their bosses exhibit. For that reason, supervisor training should include good role models to show learners how to properly handle interpersonal interactions with employees.

Error-Based Examples The error-based examples method involves sharing with learners what can go wrong when they do not use the training properly. A good example is sharing with pilots what can happen when they are not aware of a situation they and their aircraft are encountering. Situational awareness training that includes error-based examples improves air crew situational awareness. Error-based examples have been incorporated in military, firefighting, police, and aviation training and have wide potential uses in other situations. Case studies showing the negative consequences of errors are a good tool for communicating error-based examples.[34]

Reinforcement
Based on the idea that people tend to repeat responses that give them some type of positive reward and to avoid actions associated with negative consequences.

Reinforcement and Immediate Confirmation The concept of **reinforcement** is based on the *law of effect*, which states that people tend to repeat responses that give them a positive reward and to avoid actions associated with negative consequences. Positively reinforcing correct learned responses while providing negative consequences at some point for wrong responses can change behavior.[35] Closely related is an instructional strategy called **immediate confirmation**, which is based on the idea that people learn best if reinforcement and feedback are given as soon as possible after exhibiting a response. Immediate confirmation corrects errors that, if made and not corrected throughout the training, might establish an undesirable pattern that would need to be unlearned. It also aids with the transfer of training to the job.

Immediate confirmation
Based on the idea that people learn best if reinforcement and feedback are given as soon as possible after training.

8-5c Training Transfer

Finally, trainers should design training for the best possible transfer from the classroom to the job. Transfer occurs when trainees actually use on the job what knowledge and information they learned in training. The amount of training that effectively gets transferred to the job is estimated to be relatively low, especially given all the time and money spent on training. Not all employees apply training to their jobs immediately after training. Among those who do not use the training immediately, the likelihood of it being used decreases over time.[36]

Effective transfer of training meets two conditions. First, the trainees can take the material learned in training and apply it to the job context in which they work. Second, employees maintain their use of the learned material over time. Many things can increase the transfer of training.[37] Offering trainees an *overview of the training content* and *how it links to the strategy* of the organization seems to help with both short-term and longer-term training transfer. Another helpful approach is to ensure that the *training mirrors the job* context as much as possible. For example, training managers to be better selection interviewers could include role-playing with "applicants" who respond in the same way that real applicants would.

One of the most consistent factors in training transfer is the *support* new trainees receive *from their supervisors* to use their new skills when they return to the job.[38] Supervisor support of the training, feedback from the supervisor, and supervisor involvement in training are powerful influences in transfer. *Opportunity to use the training* is also important. To be trained on something but never to have the opportunity to use it obviously limits transfer. Learners need the opportunity to use new skills on the job if the skills are to remain.
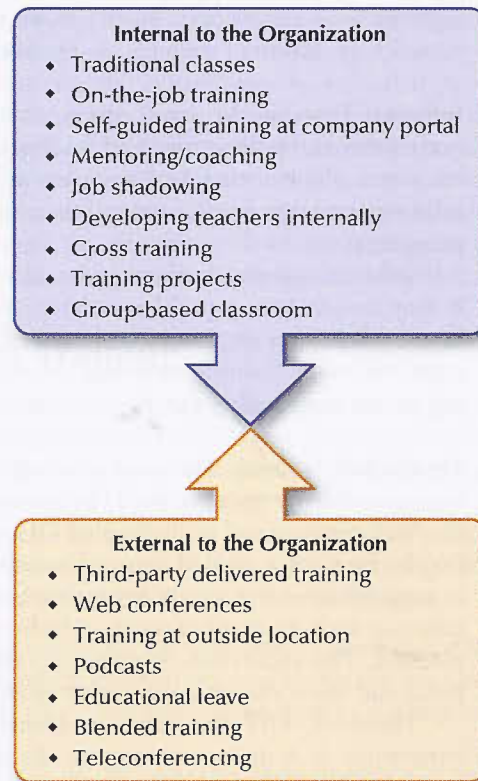
Finally, *accountability* helps transfer training from class to job. Accountability is the extent to which someone expects the learner to use the new skills on the job and holds them responsible for doing so.[39] It may require supervisory praise for doing the task correctly and sanctions for not showing proper trained behavior, but making people accountable for their own trained behavior is effective.

8-6 ■ TRAINING DELIVERY

Once training has been designed, the actual delivery of training can begin. Regardless of the type of training done, many approaches and methods can be used to deliver it. The growth of training technology continues to expand the available choices, as shown in Figure 8-7.

Whatever the approach used, a variety of considerations must be balanced when selecting training delivery methods. The common variables considered are the following:

- Nature of training
- Subject matter
- Number of trainees
- Individual versus team
- Self-paced versus guided
- Training resources/costs
- E-learning versus traditional learning
- Geographic locations involved
- Time allotted
- Completion timeline

FIGURE 8-7 Training Delivery Options

Internal to the Organization
- Traditional classes
- On-the-job training
- Self-guided training at company portal
- Mentoring/coaching
- Job shadowing
- Developing teachers internally
- Cross training
- Training projects
- Group-based classroom

External to the Organization
- Third-party delivered training
- Web conferences
- Training at outside location
- Podcasts
- Educational leave
- Blended training
- Teleconferencing

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To illustrate, a large firm with many new hires may be able to conduct employee orientation using the Internet, videos, and specific HR staff members, while a small firm with few new hires may have an HR staff member meet individually with the new hires for several hours. A medium-sized company with three locations in a geographic area may bring supervisors together for a two-day training workshop once a quarter. However, a large, global firm may use Web-based courses to reach supervisors throughout the world, with content available in several languages. Frequently, training is conducted internally to the organization, but some types of training use external resources.

Further, training can be formal or informal.[40] Formal training is very visible because it consists of planned learning activities. Informal training takes place when learning may not even be the primary focus, but it occurs anyway. Informal learning may be the result of self-initiated effort or simply serendipitous, but it often occurs as needed.[41]

8-6a Internal Training

LO4 Explain different means of internal and external training delivery.

Internal training generally applies very specifically to the organization and its jobs. Such training is popular because it saves the cost of sending employees away and often avoids the cost of outside instructors. Skills-based technical training is frequently conducted inside organizations. Training materials are often created internally as well. Because of rapid changes in technology, building and updating technical skills may become crucial internal training needs. Basic technical skills training is also being

mandated by federal regulations in areas where the Occupational Safety and Health Administration (OSHA), the Environmental Protection Agency (EPA), and other agencies have jurisdiction. Three specific types of internal delivery options will be discussed here: informal training, on-the-job training, and cross training.

Informal training
Training that occurs through interactions and feedback among employees.

Informal Training As noted one source of instruction is **informal training**, which occurs through interactions and feedback among employees. Much of what employees know about their jobs they learn informally from asking questions and getting advice from other employees and their supervisors, rather than from formal training programs.

Informal learning tends to occur as a result of a need in the context of working.[42] It may involve group problem solving, job shadowing, coaching, or mentoring; or it may evolve from employees seeking out other people who have the needed knowledge. Although "informal training" may seem to be a misnomer, a great deal of learning occurs informally in work organizations, and some of it happens by design.

On-the-job training
The most common training because it is flexible and relevant.

On-the-Job Training The most common type of training at all levels in an organization is **on-the-job training** (OJT) because it is flexible and relevant to what employees do. Well-planned and well-executed OJT can be very effective. OJT, which is designed on the basis of a guided form of training known as job instruction training (JIT), is most effective if a logical progression of stages is used, as shown in Figure 8-8. In contrast with informal training, which often occurs spontaneously, OJT should be planned. The supervisor or manager conducting the training must be able to both teach and show the employees what to do.
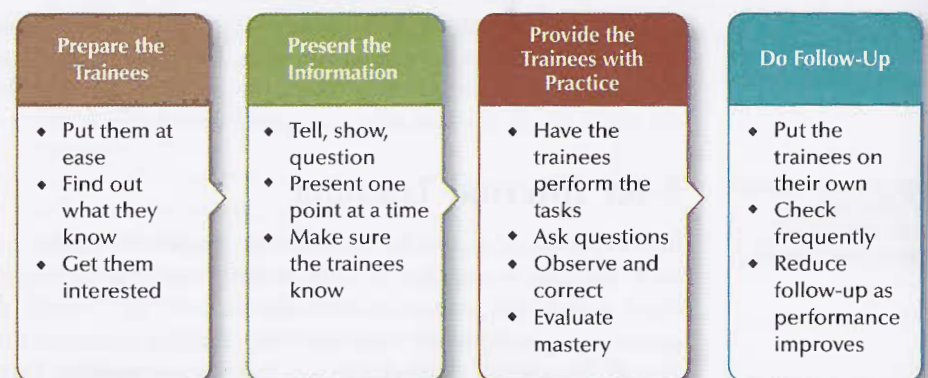
However, OJT has some problems. Those doing the training may have no experience in training, no time to do it, or no desire to participate in it. Under such conditions, learners essentially are on their own, and training likely will not be effective. Another problem is that OJT can disrupt regular work. Unfortunately, OJT can amount to no training at all sometimes, especially if the trainers simply allow the trainees to learn the job on their own. Bad habits or incorrect information from the supervisor or manager can also be transferred to the trainees.

Cross training
Training people to do more than one job.

Cross Training Cross training occurs when people are trained to do more than one job—theirs and someone else's. For the employer, the advantages of cross training are flexibility and development.[43] Even though cross training is attractive to the

FIGURE 8-8 Stages for On-the-Job Training

Prepare the Trainees	Present the Information	Provide the Trainees with Practice	Do Follow-Up
• Put them at ease • Find out what they know • Get them interested	• Tell, show, question • Present one point at a time • Make sure the trainees know	• Have the trainees perform the tasks • Ask questions • Observe and correct • Evaluate mastery	• Put the trainees on their own • Check frequently • Reduce follow-up as performance improves

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employer, it is not always appreciated by employees, who may feel that it requires them to do more work for the same pay. To counteract such responses and to make it more appealing to employees, learning "bonuses" can be awarded for successfully completing cross training.

In some organizations, the culture may be such that people seek cross-training assignments to grow or prepare for a promotion, but that is not the case in all organizations.[44] Unions typically are not in favor of cross training because it threatens job jurisdiction and broadens jobs. Cross training may require scheduling work differently during training, and temporary decreases in productivity may result from it as people learn. Overall, an effective cross-training program can overcome the concerns mentioned and has the potential to be good for both employer and employee.

8-6b External Training

External training, or training that takes place outside the employing organization, is used extensively by organizations of all sizes. Organizations use external training if they lack the capability to train people internally or when many people need to be trained quickly. External training may be the best option for training in smaller firms because of limitations in the size of their training staffs and in the number of employees who need various types of specialized training. Whatever the size of the organization, external training provides these advantages:

- It may be less expensive for an employer to have an outside trainer conduct training in areas where internal training resources are limited.
- The organization may have insufficient time to develop internal training materials.
- The staff may not have the necessary level of expertise for the subject matter in which training is needed.
- There are advantages to having employees interact with managers and peers in other companies during external training programs.

Outsourcing of Training Many employers of all sizes outsource training to external training firms, consultants, and other entities. Perhaps one-third of training expenditures go to outside training sources. The reasons more outside training is not used may be cost concerns, and a greater emphasis on internal linking of training to organizational strategies.

A popular route for employers is to use vendors and suppliers to train employees.[45] Several computer software vendors offer employees technical certifications on their software. For example, being a Microsoft Certified Product Specialist gives employees credentials that show their level of technical expertise. Such certifications provide employees with items to put on their résumés should they decide to change jobs. These certifications also benefit employers, who can use them as job specifications for hiring and promotion.

Many suppliers host users' conferences, where employees from different firms receive detailed training on using products, services, and features that are new to the employees. Some vendors will conduct the training inside an organization as well if sufficient numbers of employees need training.

Government-Supported Job Training Federal, state, and local governments provide a wide range of external training assistance and funding.[46] The Workforce Investment Act (WIA) provides states with block grant programs that target adult education,

disadvantaged youth, and training employees. Employers hiring and training individuals who meet the WIA criteria receive tax credits and other assistance for six months or more, depending on the program regulations.

At state and local levels, employers who add to their workforces can take advantage of programs that provide funding assistance to offset training costs. As an example, many states offer workforce training assistance for employers. Quick Start (Georgia), Smart Jobs (Texas), and Partnership (Alabama) are three well-known training support efforts. Such programs are often linked to two-year and four-year colleges throughout the state.[47]

Educational Assistance Programs Some employers pay for additional education for their employees. Typically, the employee pays for a course that applies to a college degree and is reimbursed upon successful completion of the course. The amounts paid by the employer are considered nontaxable income for the employee up to amounts set by federal laws.

Lifelong Learning Accounts (LiLA) programs can be offered by employers. These accounts are like 401(K) plans—employers and employees contribute to a fund for adult education. The employee owns the plan and keeps it even if the employee leaves the company. It can be used to further one's education, perhaps to move to a different job in the company.

One concern about traditional forms of employee educational programs is that they may pose risks for the employer. Upon completion of the degree, the employee may choose to take the new skills and go elsewhere. Employers must plan to use the new skills immediately following employee graduation to improve retention.

8-6c Combination Training Approaches

Whether training is delivered internally or externally, appropriate training must be chosen. The following section identifies two common training approaches that often integrate internal and external means. Some are used more for job-based training, while others are used more for development.

Cooperative/Apprentice Training Cooperative training approaches mix classroom training and on-the-job experiences. This training can take several forms. One form, generally referred to as *school-to-work transition*, helps individuals move into jobs while still in school or upon completion of formal schooling. Such efforts may be arranged with high schools, community colleges, or some universities.

Another form of cooperative training used by employers, trade unions, and government agencies is *apprentice training*. An apprenticeship program provides an employee with on-the-job experience under the guidance of a skilled and certified worker. Certain requirements for training, equipment, time length, and proficiency levels may be monitored by a unit of the U.S. Department of Labor. Figure 8-9 indicates the most common areas that use apprenticeships to train people for jobs. Apprenticeships usually last two to five years, depending on the occupation. During this time, the apprentice usually receives lower wages than the certified individual.

A form of cooperative training called *internship* usually combines job training with classroom instruction from schools, colleges, and universities.[48] Internships benefit both employers and interns. Interns get real-world exposure, a line on their résumés, and a chance to closely examine a possible employer. Employers get a cost-effective source of labor and a chance to see the intern work before making a final hiring decision.

FIGURE 8-9 Most Common Apprenticeship Occupations

- Electrician (construction)
- Carpenter
- Plumber
- Pipe fitter
- Sheet metal worker

- Structural-steel worker
- Elevator constructor
- Roofer
- Sprinkler fitter
- Bricklayer

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8-6d E-Learning: Online Training

L05 Describe the importance of e-learning as part of current training efforts.

ETHICS

E-learning is use of a Web-based technology to conduct training online. E-learning is popular with employers. The major reasons are cost savings and access to more employees. Training conducted with some kind of learning technology is likely to continue to increase. Almost 30% of learning hours today are totally technology based, according to an ASTD report, and e-learning is preferred by workers under the age of 30.[49]

Financial service companies and technology companies were among the first to use Internet training; other industries such as retailing have been slower to use e-learning with only about 20% of retailers using technology for training.[50] Other sectors such as the hospitality industry has successfully used e-learning to enhance training.[51]

CISCO Systems shows how the technology companies (as one would expect) embrace the use of technology in learning when they redid their ethics training. The ethics training, while important, was by their admission "dry as the desert." "We were just cramming ethics and compliance down the employees' throats," noted one manager. However, the new version of that training uses American Idol, the television singing contest as a model. Employees can view four cartoon "contestants" each telling a 3½-minute tale of a challenging ethical situation. Three judges then make a decision on their stories. After viewing, employees vote on which judge they think gave the most appropriate response, and can see instantly how their vote matched up with the company-wide vote. The ethics office then gives the correct answer. The new approach is viewed as interesting, engaging, and fun. Positive responses from the toughest critics of all (CISCO Systems engineers) suggest the project has been a success.[52]

CISCO System's application of e-learning has a game orientation that uses technology. However, a survey shows that such an innovative approach is still in the minority of e-learning applications. Most companies use the technology for testing skills and knowledge or as part of classroom instruction (called blended learning).[53]

Distance Training/Learning Many college and university classes use some form of Internet-based course support. Hundreds of college professors use various packages to make their lecture content available to students. These packages enable virtual chat and electronic file exchange among course participants and enhance instructor–student contact.

Many large employers similarly use interactive two-way television to present classes. The medium allows an instructor in one place to see and respond to a "class" in any number of other locations. With a fully configured system, employees can take

courses from anywhere in the world. Webinars are a type of web-based training that has reached a level of popularity both as company training and as a source of profit for the organization.[54]

Simulations and Games Computer-based training involves a wide array of multi-media technologies—including sound, motion (video and animation), graphics, and hypertext—to tap multiple learner senses. Computer-supported simulations within e-learning can replicate the psychological and behavioral requirements of a task, often in addition to providing some physical resemblance to the trainee's work environment.

Simulations and games are not the same although the distinction gets fuzzy at times. Simulations seek to reproduce parts of the real world so they can be experienced, manipulated, and learning can occur. Games are exercises that entertain and engage. They may or may not resemble the real world of work but can sometimes be used to illustrate points in training. For example, games are successfully used in team building, communication, leadership, and time management training.[55]

From highly complicated systems that replicate difficult landing scenarios for pilots to programs that help medical trainees learn to sew sutures, simulations allow for safe training when the risks associated with failure are high. For example, sanitation workers can get practice driving on slick roads and down tight alleys without damaging anything. A $450,000 computer simulation uses videos, movement, and sound to simulate driving a dump truck. Accidents from poor truck handling skills include damage to fences, posts, and buildings. The safety training simulation reduces such accidents.

Certain industries are on the cutting edge of simulation for training such as aviation, military, and health care. Flight simulators allow a fledgling pilot to practice without crashing an expensive plane and killing themselves. Military simulations allow use of large weapons systems without killing anyone. Mannequins that are really "computerized patients" allow physicians to learn skills without practicing on a live patient.[56] The nuclear energy industry is another place where simulations are used for training.

Good games are fundamentally different from simulations.[57] Their goal is to provide fun and engagement.[58] Angry birds, football, and chess inspire some to spend a great deal of time enjoying the game. Yet games can be designed to teach to certain learning goals too.[59] See HR Perspective: Using Games to Stimulate Learning in Organizations for insight.

Mobile Learning Predictions have been that training will incorporate more use of mobile devices such as smartphones, tablets, or netbooks, the potential uses seem endless.[60] However, barriers to mobile learning include budget restrictions, integrating this technology with existing training, and security concerns.[61] But while the physical classroom, Webinars, and formal e-learning courses are not going away, mobile learning is on the rise.[62] Some current ways mobile devices can be used in training include the following. Employees can use mobile devices to access instruction manuals for hardware and software. In class, courses can be augmented with five-minute videos accessible from mobile devices, turning classrooms into blended learning.[63] Some organizations like Verizon have created YouTube like repositories or enterprise networks where employees post videos created for knowledge-sharing.[64] It may be that learners like this technology as it creates more learner control over the learning process.[65]

Simulations
Reproduce parts of the real world so they can be experienced, manipulated, and learning can occur.

Games
Exercises that entertain and engage.

HR PERSPECTIVE

Using Games to Stimulate Learning in Organizations

Unfortunately, individual learning in a training seminar can be viewed by some as a boring activity. Whether the process involves listening to someone lecture about unfamiliar concepts, or whether it involves reading through information on a computer and taking basic quizzes over the material, learning in these traditional ways can harm employees' motivation to learn. This is why the use of games as learning tools has become a popular approach to create more interest in training activities. Indeed, games stimulate learning because realistic situations can be presented to employees that require immediate decision making and action, and games typically provide prompt feedback about individual performance.

Games can be created to present players with the same challenges they will face on the job. Rules of engagement, player interactivity, and communication can be used to manage outcomes that can be quantified. An advantage with games is that the activities can be conducted either in an online environment with computer-generated characters and contexts or in a real-time, face-to-face situation where trainees interact directly. Research shows that the versatility and interaction found in games lead to high levels of learning and engagement. The downside to games is that they are difficult to create and take time and money to develop. Additionally, the rules, actions, and playing environments of games all require considerable attention to detail, and the actual time that needs to be invested in playing games can be significant.

There are several approaches that can be utilized to enjoy the advantages of gaming and avoid the disadvantages. For instance, elements of gaming such as decision making can be incorporated into the training environment without creating a full-scale game. Games that allow participants to fail may cause individuals to feel compelled to experiment and learn how to complete work more effectively. Finally, it is important to develop a story (or context) around a game so that trainees feel more engaged with the material and activities, and consistent feedback should be provided to reinforce learning.[66]

Blended Learning Generally, technology is moving from center stage to becoming embedded in the learning and training processes. As learning and work merge even more closely in the future, technology is likely to integrate seamlessly into the work environment of more employees.

Blended learning
Learning approach that combines methods, such as short, fast-paced, interactive computer-based lessons and teleconferencing with traditional classroom instruction and simulation.

However, e-learning does not work well as the sole method of training, according to employers. A solution seems to be **blended learning**, which might combine short, fast-paced, interactive computer-based lessons and teleconferencing with traditional classroom instruction and simulation. Deciding which training is best handled by which medium is important.[67] A blended learning approach can use e-learning for building knowledge of certain basics, a Web-based virtual classroom for building skills, and significant in-person, traditional, instructor-led training sessions and courses. Use of blended learning provides greater flexibility in the use of multiple training means and enhances the appeal of training activities to different types of employees.[68]

Advantages and Disadvantages of E-Learning The rapid growth of e-learning makes the Internet or an intranet a viable means for delivering training content. But

FIGURE 8-10 Advantages and Disadvantages of E-Learning

Advantages	Disadvantages
• Is self-paced; trainees can proceed on their own time • Is interactive, tapping multiple trainee senses • Enables scoring of exercises/assessments and the appropriate feedback • Incorporates built-in guidance and help for trainees to use when needed • Allows trainers to update content relatively easily • Can enhance instructor-led training • Is good for presenting simple facts and concepts • Can be paired with simulation	• May cause trainee anxiety • Some trainees may not be interested in how it is used • Requires easy and uninterrupted access to computers • Is not appropriate for some training (leadership, cultural change, etc.) • Requires significant upfront investment both in time and costs • Requires significant support from top management to be successful • Some choose not to do it even if it is available

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e-learning has both advantages and disadvantages that must be considered. In addition to being concerned about employee access to e-learning and the desire to use it, some employers worry that trainees will use e-learning to complete courses quickly but will not retain and use much of what they have learned on the job. Taking existing training materials, putting them on the Internet, and cutting the training budget is not the way to succeed with e-learning. An important question to ask is, Can this material be learned as well online as through conventional methods? In some cases, the answer is "no"; in others the answer is "yes."[69]

Figure 8-10 presents a listing of the most commonly cited advantages and disadvantages of e-learning.

8-7 ■ TRAINING EVALUATION

L06 Give an example for each of the four levels of training evaluation.

Evaluation of training compares the post-training results to the pre-training objectives of managers, trainers, and trainees. Too often, training is conducted with little thought of measuring and evaluating it later to see how well it worked. Since training is both time consuming and costly, it should be evaluated.[70]

8-7a Levels of Evaluation

It is best to consider how training is to be evaluated before it begins. Donald L. Kirkpatrick identified four levels at which training can be evaluated.[71] They are reaction, learning, behaviors, and results.

Reaction Organizations evaluate the reaction levels of trainees by conducting interviews with or administering questionnaires to the trainees. Assume that 30 managers attend a two-day workshop on effective interviewing skills. A reaction-level measure could be gathered by having the managers complete a survey that asked

them to rate the value of the training, the style of the instructors, and the usefulness of the training to them.

Learning Learning levels can be evaluated by measuring how well trainees have learned facts, ideas, concepts, theories, and attitudes. Tests on the training material are commonly used for evaluating learning, and they can be given both before and after training to provide scores that can be compared. If test scores indicate learning problems, then instructors get feedback and courses can be redesigned so that the content can be delivered more effectively. Of course, learning enough to pass a test does not guarantee that trainees will remember the training content months later or that it will change job behaviors.

Behaviors Evaluating training at the behavioral level means measuring the effect of training on job performance through observing job performance. For instance, the managers who participated in an interviewing workshop might be observed conducting actual interviews of applicants for jobs in their departments. If the managers asked questions as they had been trained to and used appropriate follow-up questions, then behavioral indicators of the effectiveness of the interviewing training exist.

Results Employers evaluate results by measuring the effect of training on the achievement of organizational objectives. Since results such as productivity, turnover, quality, time, sales, and costs are relatively concrete, this type of evaluation can be done by comparing records before and after training. For the managers who attended interviewing training, evaluators could gather records of the number of individuals hired compared with the number of employment offers made before and after the training.

The difficulty with measuring results is pinpointing whether changes were actually the result of training or of other major factors. For example, the managers who completed the interviewing training program can be measured on employee turnover before and after the training, but turnover also depends on the current economic situation, the demand for workers, and many other variables.

8-7b Training Evaluation Metrics

Training is expensive, and it is an HR function that requires measurement and monitoring. Cost–benefit analysis and return-on-investment (ROI) analysis are commonly used to measure training results, as are various benchmarking approaches.

MEASURE

Cost–Benefit Analysis
Comparison of costs and benefits associated with training.

Cost–Benefit Analysis Training results can be examined through cost–benefit analysis, which is comparison of costs and benefits associated with training. There are four stages in calculating training costs and benefits:

1. *Determine training costs.* Consider direct costs such as design, trainer fees, materials, facilities, and other administration activities.
2. *Identify potential savings results.* Consider employee retention, better customer service, fewer work errors, quicker equipment production, and other productivity factors.
3. *Compute potential savings.* Gather data on the performance results and assign dollar costs to each of them.
4. *Conduct costs and savings benefits comparisons.* Evaluate the costs per participant, the savings per participant, and how the costs and benefits relate to business performance numbers.
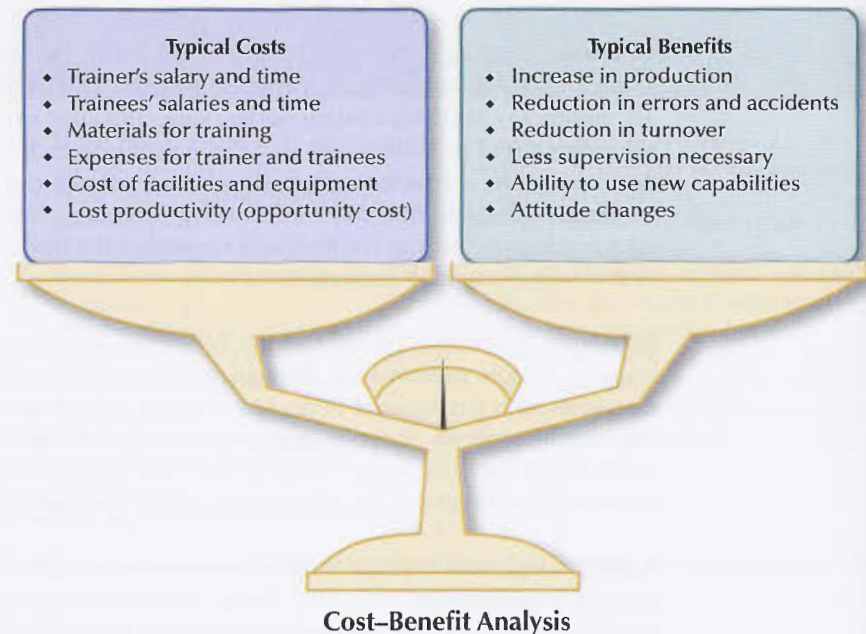
FIGURE 8-11 Possible Costs and Benefits in Training

Typical Costs
- Trainer's salary and time
- Trainees' salaries and time
- Materials for training
- Expenses for trainer and trainees
- Cost of facilities and equipment
- Lost productivity (opportunity cost)

Typical Benefits
- Increase in production
- Reduction in errors and accidents
- Reduction in turnover
- Less supervision necessary
- Ability to use new capabilities
- Attitude changes

Cost–Benefit Analysis

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Figure 8-11 shows some typical costs and benefits that may result from training. Even though some benefits (such as attitude changes) are hard to quantify, comparisons of costs and benefits associated with training remains a way to determine whether training is cost-effective. For example, one firm evaluated a traditional safety training program and found that the program did not lead to a reduction in accidents. Therefore, the safety training was redesigned, and better safety practices resulted. E-learning should be evaluated as well.[72]

Return-on-Investment Analysis and Benchmarking In organizations, training is often expected to produce an ROI. Still, too often, training is justified because someone liked it, rather than on the basis of resource accountability.[73] ROI simply divides the return produced because of the training by the cost (or investment) of the training.

In addition to evaluating training internally, some organizations use benchmark measures to compare it with training done in other organizations. To do benchmarking, HR professionals gather data on training in their organization and compare them with data on training at other organizations in the same industry and in companies of a similar size. Comparison data are available through the American Society for Training and Development and its Benchmarking Service. This service has training-related data from more than 1,000 participating employers who complete detailed questionnaires annually. Training can also be benchmarked against data from the American Productivity & Quality Center and the Saratoga Institute.

8-7c Training Evaluation Designs

With or without benchmarking data, internal evaluations of training programs can be designed in many ways. The rigor of the three designs discussed next increases with each level.

Post-Measure The most obvious way to evaluate training effectiveness is to determine after the training whether the employees can perform the way management wants them to perform. Assume that a customer service manager has 20 representatives who need to improve their data-entry speeds. After a one-day training session, they take a test to measure their speeds. If the representatives can all type the required speed after training, was the training beneficial? It is difficult to say—perhaps most of them could have done as well before training. Tests after training do not always clearly indicate whether a performance is a result of the training or could have been achieved without the training.

Pre-/Post-Measure By differently designing the evaluation just discussed, the issue of pretest skill levels can be considered. If the data-entry speed is measured before and after training, then it will indicate whether the training made any difference. However, a question would remain: Was any increase in speed a response to the training, or did these employees simply work faster because they knew they were being tested? People often perform better when they know their efforts are being evaluated.

Pre-/Post-Measure with a Control Group Another evaluation design can address the preceding problem. In addition to testing the 20 representatives who will be trained, the manager can test another group of representatives who will not be trained, to see if they do as well as those who are to be trained. This second group is called a control group. After training, if the trained representatives work significantly faster than those who were not trained, the manager can be reasonably sure that the training was effective.

SUMMARY

- Training is the process that provides people with the capabilities they need to do their jobs.
- Four types of training are regular/required, job/technical, interpersonal/problem solving, and developmental/career.
- A strategic approach to training links organizational strategies and HR planning to various training efforts.
- Training affects factors such as organizational competitiveness, knowledge management, revenue, and performance.
- Global strategies must consider training as a key component, including intercultural competence training to prepare employees to respond more appropriately to situations encountered during global assignments.
- The training process consists of four phases: assessment, design, delivery, and evaluation.
- Training needs can be assessed using organizational, job/task, and individual analyses, and

then training objectives can be set to help the organization meet those needs.
- Training design must consider learner readiness, learning styles, and learning transfer.
- Training can be delivered internally (e.g., OJT training) or through external means, and formally (e.g., through classes) or informally.
- Common training approaches include cooperative training and classroom/conference training.
- Orientation is a form of onboarding designed to help new employees learn about their jobs.
- E-learning is training conducted using the Internet or an intranet, and both its advantages and its disadvantages must be considered in its development.
- Various organizations are taking advantage of training that uses technology, such as Web-based multimedia, video streaming, simulation, and virtual reality.
- Training can be evaluated at four levels: reaction, learning, behavior, and results.

- Training evaluation metrics may include cost–benefit analysis, ROI analysis, and benchmarking.

- A pre-/post-measure with a control group is the most rigorous design for training evaluation; other, less rigorous designs can be used as well.

CRITICAL THINKING CHALLENGES

1. Identify training needs for a group of new salespeople in a high-end jewelry store.

2. Why is evaluating training an important part of strategic training?

3. Develop an orientation checklist on the basis of one first-day session and a second session of four hours 30 days later.

4. Make a briefing for division managers showing the advantages and disadvantages of e-learning and how to "blend" it with other teaching techniques. Use websites, including www.ASTD.org.

5. Because of rapid growth of your technology company, the executive team has asked HR to develop an internal training program. The purpose of the program is to help employees recently promoted to supervisory positions develop the leadership skill sets they need to be successful as supervisors. This will be the first formal training program for your small company. As part of the process, you want to consider the learning styles of the new supervisors. To assist you in developing a successful, results-oriented program, review various training websites, including www.agelesslearner.com.

A. To meet the needs of the varied learning styles and maximize the learning potential of the participants, what training techniques should be implemented?

B. Identify the content topics that you will recommend be included in the program to ensure the development of successful leaders.

CASE

Using Performance Support to Improve Learning

The training done in most companies is based on the formal learning that takes place in planned exercises and classroom activities. Despite this reality, some learning groups that have done well despite the uncertainty of the business climate have moved beyond this traditional model to a more employee-centered learning framework. Such a model is based on the idea that learning must be enabled and consistently supported by training professionals, and employees should to some extent self-direct their own training endeavors and learn how to apply the information on the job.

Informal learning can be created and managed internally in a company through a process called "Performance Support". Performance Support involves giving employees informational assistance that addresses the issues they currently face while performing their work to increase job performance. When managed properly by (1) clearly establishing how Performance Support will help the organization and (2) getting the firm's leaders and IT professionals to support its implementation, the process can lead to an increase in overall organizational effectiveness.

The home and furniture design firm Herman Miller set out to implement Performance Support as part of an effort to enhance employees' performance of their jobs. Herman Miller faced many challenges and opportunities that precipitated the move toward self-learning, including employees' low interest in formal training, an increase in calls to an under-staffed help desk, and the unveiling of six new products. In addition, the company highlighted many

new competencies that individuals were expected to integrate into their daily functioning as employees. The Performance Support frameworks were launched in a way that did not intimidate workers, and additional models were slowly introduced as employees showed some success.

Companies can consider piloting the introduction and application of Performance Support systems as a way to make the learning occur in a more fluid fashion. The system should be managed so that the appropriate information is available to employees based on the history of queries that have occurred in the past. Additionally, access to the Performance Support networks should be made readily available on mobile devices so that information can be accessed anywhere and on the fly.

The use of Performance Support was much higher than typical classes being offered at Herman Miller, reducing expenses significantly for the organization. Competencies were also being cultivated in

the workplace through the use of the Performance Support network. The company's IT Support Center, sales and marketing managers, and executive panel that developed the competencies were all strong champions of the program and were instrumental in developing subsequent awareness and support throughout the ranks.[74]

QUESTIONS

1. The case introduces a rather complex information-based approach to encourage learning on the job. How is this approach different from traditional training? Are there any similarities?

2. How would you implement a Performance Support system?

3. What are the challenges and opportunities associated with a Performance Support informational network with regard to individual learning?

SUPPLEMENTAL CASES

Training Crucial for Hotels

This case illustrates the increased role training is playing in large U.S. hotel chains. (For the case, go to www.cengage.com/management/mathis.)

New Payroll Clerk

This case shows the frustration that often accompanies the first day at work, and why orientation is

important in reducing turnover. (For the case, go to www.cengage.com/management/mathis.)

Twenty-First Century Onboarding

This case outlines orientation efforts of Sun Microsystems, El Paso Corporation, and Zimmerman Advertising. (For this case, go to www.cengage .com/management/mathis.)

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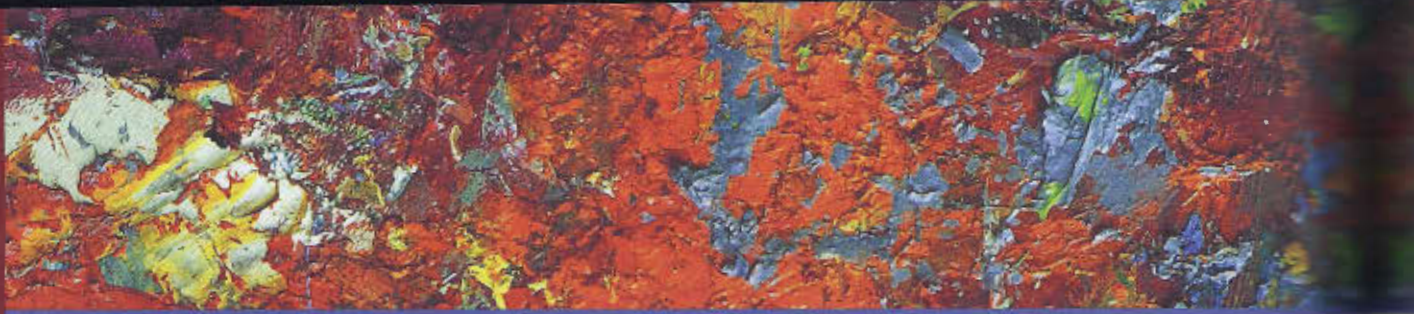
Talent, Careers, and Development

Learning Objectives

After you have read this chapter, you should be able to:

1 Identify the importance of talent management and discuss two reasons it may be difficult.

2 Explain what succession planning is and its steps.

3 Differentiate between organization-centered and individual-centered career planning.

4 List options for development needs analyses.

5 Discuss three career issues that organizations and employees must address.

6 Identify several management development methods.

HR HEADLINE

Talent Management Should Be Solutions-Driven

HR professionals propose policies that they think will help employees develop in the long run, thus helping the organization succeed. However, many of these policies often don't address the current problems that line managers face as they interact with their workers' careers. Line managers do not always get excited about talent management initiatives because they might not relate directly to the challenges that they currently experience. As a result, insufficient management buy-in is a common problem, with talent management, and the newly developed HR initiatives may not be very successful. Organizations such as Sysco Corporation and Deloitte are trying to develop talent management programs that are perceived to be more relevant and effective.

HR professionals diagnose line managers' day-to-day problems and develop policies that address their concerns regarding talent management and employee development. HR leaders must think diagnostically in a manner similar to medical doctors and provide initiatives from the HR department that truly help the talent-related problems that managers experience. By doing so, they won't have to try too hard to sell these ideas because the solutions will sell themselves.

Houston-based food supplier Sysco Corporation is one company that used such an approach. After conducting research and determining that job tenure was related to leader effectiveness, the company created a developmental program that prepared people for positions of authority. HR managers were able to sell the program because it addressed important business needs and did not require employees to miss much work.

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Talent management can be linked with solid metrics that support the policies. Ideally, these metrics should show how the implementation of these efforts will increase performance and the company's bottom line. Some managers at companies like Deloitte also believe that HR professionals should be rotated into line-level jobs to get a better idea of the problems that exist in the different operational areas of a firm. By functioning as involved diagnosticians and problem solvers, HR managers can provide line managers with sound HR policies that enhance both talent and career management.[1]

Workforce planning is based on having the correct number of employees as they are needed by the organization and its managers. Workforce planning works with talent management, which focuses on having the right individual ready for the jobs when needed. A significant part of talent management involves developing a pipeline of talented people. Additionally, talent management focuses on key positions and job families that will be required, skills that will be needed, and competency models, talent pools, and assessments of employees.

This chapter focuses on talent management as a strategy to build company performance. Much of this approach involves having a plan that effectively deals with employees' careers and provides for their developmental needs. In addition, talent management includes programs that cultivate important capabilities and competencies.

9-1 ■ TALENT MANAGEMENT AS STRATEGY

LO1 Identify the importance of talent management and discuss two reasons it may be difficult.

Strategic talent management
The process of identifying the most important jobs in a company that provide a long-term competitive advantage, and then creating appropriate HR policies to develop employees so that they can effectively work in these jobs.

Successful talent management is strategic because the development of employees should be linked to what the organization is trying to do. Organizations must respond quickly to changes in environmental demands, and having the right talent helps those responses. **Strategic talent management** is the process of identifying the most important jobs in a company that provide a long-term advantage, and then developing employees so that they can effectively work in these jobs.[2] Both talent and strategy are among the most important drivers of success in some organizations including research and development labs.[3] This suggests that companies should consider talent management when developing their business strategies. Chief Human Resource Management Officers may work in advisory roles related to business strategy, which requires them to establish important relational networks with key decision makers.[4]

Talent management policies that develop employee's careers—should be viewed as a strategic tool rather than as a cost.[5] This can provide employees who create a competitive advantage for the firm through individual competencies and appropriate roles.[6] Evidence suggests that many organizations in the United States are using talent management, but some have not fully integrated it into

decision-making processes or allowed the approach to be driven by business needs. Greater emphasis on building competencies can establish a system that works well.[7] The major components in the employment life cycle (i.e., training/development, performance and succession management, etc.) should be integrated as one unit.[8]

Companies can reduce risks and increase the rewards of talent management by adopting an approach that relies on (1) the development of current employees and hiring outside talent, (2) the creation of talent pools and broad competencies in employees, (3) the use of short-term talent forecasts that are likely more reliable, and (4) establishing a balance between employees' and companies' ownership of career development.[9] SunTrust adopted a slightly different approach by developing several key business values, which included a focus on teamwork, client relationships, and strong growth through profits, and then aligning strategies to these principles.[10] There is also growing interest in the creation of community-based talent networks that provide developmental opportunities for individuals from K–12 through college, and well into their careers as working professionals.[11]

9-2 ■ TALENT MANAGEMENT IN PERSPECTIVE

The idea that human capital can be a source of competitive advantage for organizations is gaining ground, but many firms are not designed or managed to optimize talent performance.[12] Choices for dealing successfully with talent needs are to (1) emphasize stability in employment and develop talent internally, (2) develop agility as an organization and buy talent as needed, or (3) use some combination of (1) and (2). So the nature of the business and the environment in which it operates to some extent define appropriate strategies for talent management.

Talent management can be challenging because of the nature of "talent" itself. For example, a "deep bench" of talent can be thought of as inventory. But unlike boxes full of empty bottles, talent does not necessarily remain available until needed—people will leave the company to work in more desirable employment situations.[13] The shelf life of promising managers and specialists is short if they do not have opportunities in their current place of work.

Job candidates indicate that they are most attracted to opportunities to learn and grow. In fact, career development ranks higher than work–life balance and compensation/benefits for most job seekers.[14] This makes the need for a successful talent management program even greater. Attracting and retaining talent is only part of the equation—companies must keep people engaged by looking for individual characteristics that lead to job success, providing good development opportunities for high-performing employees, and having a management team that builds confidence in the company's future prospects.[15]

One way to think of talent management is as a process that goes beyond simply recruiting and selection to meeting the needs of the organization with talent. Along the way, all the elements of talent management are encountered: training, succession planning, career planning, development, and performance management. Figure 9-1 shows the process. Training and performance management are covered in other chapters but succession planning, career planning, and development are covered in this chapter.

FIGURE 9-1 Talent Management Process

Acquisition and Staffing	Talent Management Components	Results and Work Outcomes
• Recruiting • Selection • Placement	• Training • Development • Appraisals • Compensation • Performance management • Career planning • Succession planning	• Build management talent • Create important job talent • Positive work attitudes • Retention

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9-2a Talent Management Information Systems

Talent management seems to lend itself to the use of various software-based systems that purport to integrate all the pieces of talent management into one manageable whole. For example, one company used a talent management system to:

- document new employee orientation and training;
- track classroom training and certifications completed by all store employees;
- automate registration of participants for training and development activities;
- report on completions of training certifications for employees; and
- compile and report the training and development history of individuals for use with career planning and development.

However, according to one survey, although many companies are planning to use talent management technology, about half still use a manual rather than automated approach.[16]

One reason for the demand for automated talent management systems is the situation that arose during the last recession. Many talented people were cut from the workforce, and some companies cut more of them than was necessary. Some employers view automated information as a way to avoid this problem in the future.[17] As an example of the potential in automated systems, Comcast Corporation can run a search across the entire organization to find people with certain qualifications who are strong in specific skills. If a person is needed for a business development position with strong customer communication and strategic skills, a search of the system will perhaps locate a dozen people in the company with these skills and excellent performance reviews during the last year.[18]

The drive to automate talent management also comes in part from the desire to pull together HR, finance, and operations data to get insights on talent that are otherwise difficult to obtain. Whether current systems do this in a way that deals appropriately with the key issues is still unclear. However, regardless of the current state of the art, the potential for automated talent management systems in the future is great as a tool to aid decision making, but these systems are certainly not the entire solution to talent management challenges.

9-2b Scope of Talent Management

As talent management has evolved, a variety of approaches and tools have also developed. The following sections describe the approaches that define talent management.

Target Jobs The first issue is to identify the types of jobs that will be the focus of talent management efforts. In some organizations, talent management focuses on the CEO and other executive jobs, rather than focusing more broadly. Other organizations target senior management, mid-level managers, and other key jobs. However, those groups only represent about one-third of the total workforce, which raises the question of whether talent management efforts would be more useful if they were more widely implemented within the workforce.

High-Potential Individuals Some organizations focus talent management efforts primarily on "high-potential" individuals, often referred to as **high-pos**. Attracting, retaining, and developing high-pos have become the main emphases for some talent management efforts. Firms may classify individuals as being in the top 10% and limit participation in intensive talent management efforts to that group. Other organizations view talent management more broadly. Targeting primarily high-pos may lead to many other employees seeing their career opportunities as being limited. Talent management may need to include more than the top 10% in some cases. Unfortunately, evidence suggests that many companies do not effectively find high-pos among the ranks of existing employees.[19]

High-pos
Individuals who show high promise for advancement in the organization.

Yet, identifying top performers may not be as difficult as trying to keep such individuals satisfied and engaged at work. When dealing with high-pos, employers sometimes utilize incorrect assumptions and approaches, such as:

- believing that they are fully engaged in the workplace;
- thinking they are willing and able to become leaders;
- failing to get top leaders involved in their development;
- not giving them opportunities to build needed competencies;
- lacking reward and recognition for them; and
- not informing them of future plans.[20]

Further, many companies do not provide useful feedback to high performers using proper assessment and measurement instruments, and leaders are often not involved in or held accountable for the management of these individuals.[21]

However, many prominent companies such as General Electric, Unilever North America, and IBM have established programs that effectively identify and cultivate talent in high-pos by linking corporate strategy to the development of leaders and providing learning opportunities that grow the business and the individual.[22] Indeed, the management of high-pos requires several key best practices such as deciding what kinds of employees are needed given the strategy, properly identifying talent, making varied job experiences available, and promptly disseminating performance feedback.[23] Other important approaches that can keep top performers engaged include recognizing their talents, including them in an ongoing development process (rather than short-term), providing substantive, yet flexible opportunities for them to gain additional responsibility and visibility in the firm, and partnering them with good mentors.[24]

Competency Models What does a person who is ready to be moved up look like? What competencies should the person have? Competency models show knowledge,

skills, and abilities (KSAs) for various jobs. An employer must ask, "What talent do we need to achieve this?" The answer can be found in a competency model. Competency models help to identify talent and gaps. Some companies maintain libraries of competency models. One has more than 900 such models for different jobs.[25] These libraries create a clear path for talent planning. Competency models might be created for executives, managers, supervisors, salespeople, technical professionals, and other key jobs. An example of such a competency is problem solving, which involves addressing complex organizational problems and developing solutions.

Talent Pools Talent pools are a way to reduce the risk that the company may not need a certain specialty after developing it. The idea is to avoid developing for a narrow specialized job and instead develop a group or pool of talented people with broad general competencies that could fit a wide range of jobs. Once developed, they can be allocated to specific vacancies. Just-in-time training and coaching can make the fit work.[26]

Career Tracks Career tracks are a series of steps that one follows to become ready to move up. For example, a potential branch manager in a bank might take rotational assignments in customer sales, teller supervisor, credit cards, and other positions before being considered ready to handle the branch manager's job. Firms such as Costco and Xerox Europe have successfully utilized career tracks that move individuals to new jobs calling for higher-level capabilities as tools for increasing employee motivation and reducing turnover.[27]

Assessment Assessment most often involves tests of one sort or another. Tests for IQ, personality, aptitude, and other factors can be used. A portfolio of tests and other assessments to help predict a person's potential for a job is called an "assessment center," which will be discussed in more detail later in this chapter.

Development Risk Sharing The employer always runs a risk in developing talent in that an employee who has been developed will choose to leave with the valuable skills gained. A way to reduce this risk is to have promising employees volunteer for development on their own time. Executive MBA programs that can be attended on evenings or weekends, extra projects outside a person's current assignment, volunteer projects with nonprofit organizations, and other paths can be used. The employer might contribute through tuition reimbursement or some selected time away from the job, but the risk is at least partly shared by the employee because they have invested their time in the process.

L02 Explain what succession planning is and its steps.

Succession planning
Preparing for the inevitable movements of personnel that creates holes in the hierarchy that need to be filled by other qualified individuals.

9-3 ■ SUCCESSION PLANNING

The basis for a company dealing successfully with staffing changes such as retirements, transfers, promotions, and turnover is succession planning. **Succession planning** encourages an organization to prepare for the inevitable movements of personnel that create holes in the hierarchy that need to be filled by other qualified individuals. "Bench strength" and the leadership pipeline are metaphors for ways to prevent the void by having replacements ready.

However, succession planning involves more than simply replacement planning. Replacement planning usually involves creating a list of temporary replacements for

important jobs, especially during crisis situations.[28] Succession planning should include a well-designed development system for employees.[29] The process should be able to place the right people in the right positions.[30] Succession planning can be the process of farming a plan for the orderly replacement of key employees. This was the case at Xerox when a methodical plan was put into place to have Ursula Burns replace Anne Mulcahy as CEO using various on-the-job developmental experiences that systematically prepared her for the job.[31]

Some organizations have unfortunately moved away from succession planning because of the layoffs, employee departures, and budgetary setbacks caused by the last recession. But firms must still focus on business needs by identifying the key jobs that will satisfy these needs and the proper talent to work in these positions, as well as create appropriate development activities. HR will still need to demonstrate that succession planning can be an important part of talent management.[32]

9-3a Succession Planning Process

Whether in small or large firms, succession planning is linked to strategic planning through the process shown in Figure 9-2. The process consists of first defining positions that are critical to the strategy,[33] and then making certain top management is involved personally with talent identification, mentoring, and coaching. It may be appropriate to tie some level of incentive to executive success in the process. The next step is to assess the talent available in the organization and determine who has the potential, who is ready now for promotion, and who needs additional development. The development practices can vary but should be aimed at specific needs in specific individuals. Finally, evaluating the success of the process is important, and appropriate measures are necessary to do so.[34]

All the work involved in the succession planning process should result in two products: (1) identification of potential emergency replacements for critical positions and (2) other successors who will be ready with some additional development. The development necessary should be made clear to the people involved, along with a plan for achieving the development.[35]
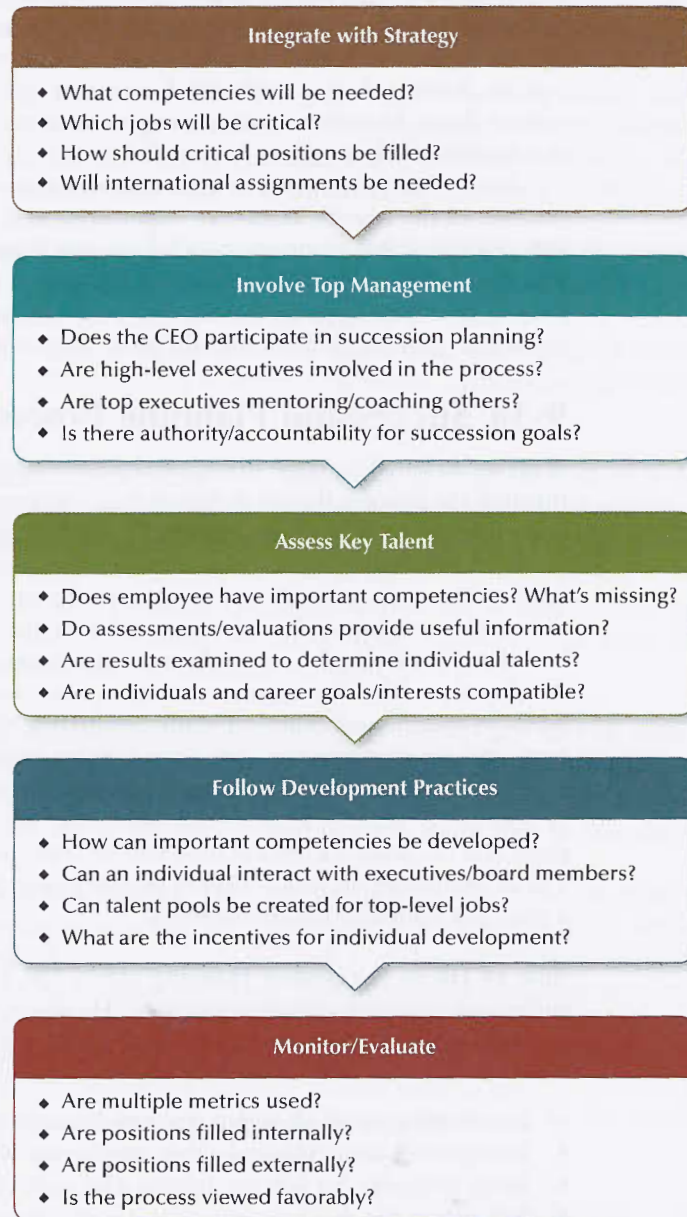
Role of HR in Succession Planning Often HR has the primary responsibility for succession planning organization-wide. However, for CEO and senior management succession efforts, top executives and board members often have major involvement. In this case, HR commonly performs the following actions:[36]

- Functioning as an objective voice and measuring effectiveness of the program
- Interpreting data collected about employees who might fill future positions
- Being available for job candidates who seek counseling
- Enhancing the development opportunities in the firm
- Helping track and evaluate individual development efforts

Global Succession Planning Succession planning is not just an issue in the U.S. In fact, the percentage of older employees who will leave the workforce is even higher in countries such as Japan, Germany, Italy, and England. In those countries, as well as the United States, the growth of immigrants has added to the population, which also means that employers are facing both legal and workforce diversity issues. Even in countries with growing native workforces, such as China and India, succession planning is important. Having younger workers with international experiences and contacts who can replace senior managers is a growing concern faced worldwide by employers of different sizes and industries.[37]

GLOBAL

FIGURE 9-2 Succession Planning Process

Integrate with Strategy

- ◆ What competencies will be needed?
- ◆ Which jobs will be critical?
- ◆ How should critical positions be filled?
- ◆ Will international assignments be needed?

Involve Top Management

- ◆ Does the CEO participate in succession planning?
- ◆ Are high-level executives involved in the process?
- ◆ Are top executives mentoring/coaching others?
- ◆ Is there authority/accountability for succession goals?

Assess Key Talent

- ◆ Does employee have important competencies? What's missing?
- ◆ Do assessments/evaluations provide useful information?
- ◆ Are results examined to determine individual talents?
- ◆ Are individuals and career goals/interests compatible?

Follow Development Practices

- ◆ How can important competencies be developed?
- ◆ Can an individual interact with executives/board members?
- ◆ Can talent pools be created for top-level jobs?
- ◆ What are the incentives for individual development?

Monitor/Evaluate

- ◆ Are multiple metrics used?
- ◆ Are positions filled internally?
- ◆ Are positions filled externally?
- ◆ Is the process viewed favorably?

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Succession in Small and Closely Held Organizations Succession planning can be especially important in small and medium-sized firms, but few of these firms formalize succession plans. In fact, the lack of succession planning is frequently viewed as one of the biggest threats facing small businesses. Even if many CEOs plan to pass the business leadership on to a family member, most of these firms would benefit from planning for orderly succession, particularly if nonfamily members or owners are involved. Addressing the development needs of the successor also helps to avoid a host of potential problems for both the organization and family-member relationships.

9-3b Succession Planning Decisions

Several areas require decisions as part of succession planning. These decisions require the following analysis: How can you identify and classify current talent? Should you "make" or "buy" talent? How can you measure system success?

Identifying Current Talent Companies can be proactive in identifying the right managers and employees needed for successful succession planning. Managers determine if individuals are ready, willing, and able to perform duties at a higher level in the organization. Developmental "growth factors" such as conceptual understanding, learning motivation, social astuteness, and emotional stability indicate someone is ready for managerial roles.[38] Leaders should also take a current inventory of the talent that is already employed in the organization. Figure 9-3 illustrates one approach that can be employed to facilitate such a talent inventory.[39] Since focusing only on potential or performance may be too narrow when developing succession plans for jobs and identifying candidates, a two-dimensional grid can

FIGURE 9-3 Talent Inventory Grid
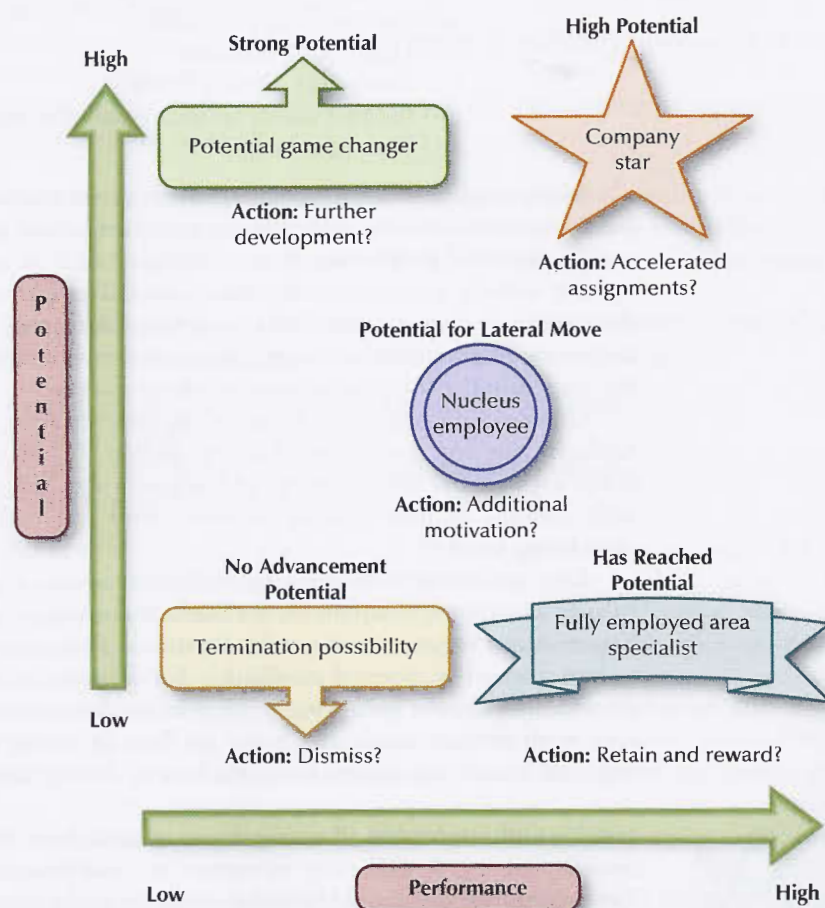
be specified outlining individuals' potential to be promoted on one axis, and current job performance on the other axis.

Such a talent inventory grid is particularly helpful in jobs that tend to be more complex. For example, assume that succession planning is being conducted for a General Manager of a large luxury hotel. The position needs candidates who have extensive experience, industry contacts, community involvement, leadership and management capabilities, and other important competencies that suggest high potential. These considerations are especially important if the current General Manager has these qualities and is a high-performer. To combine potential and performance, a two-dimensional grid like the one shown in Figure 9-3 can be used.

Make-or-buy
Develop competitive Human Resources or hire individuals who are already developed from somewhere else.

"Make-or-Buy" Talent? Employers face a "**make-or-buy**" choice: develop ("make") competitive human resources, or hire ("buy") individuals who are already developed from somewhere else. There are a number of advantages and disadvantages associated with each particular approach.[40]

Buy talent: (+) Company can tap into new knowledge/perspectives
                  (+) Obtain needed skills that will help the company
                  (−) Can be a costly strategy
                  (−) Risk associated with hiring unproven employees
Make talent: (+) Company can provide employees required competencies and advancement opportunities
                  (+) Highly cost effective
                  (+) Employees already known
                  (−) Limited ability to secure new knowledge/perspectives
                  (−) May take longer

Many organizations show an apparent preference for buying rather than making scarce employees in today's labor market. Current trends indicate that technical and professional people usually are "bought" because of the amount of skill development already achieved, rather than internal employees being picked because of their ability to learn or their behavioral traits. However, hiring rather than developing internal human resource capabilities may not fit certain environments, and puts the responsibility for development on the employee.

Other organizations are focusing on growing their own leaders.[41] This is particularly true for companies that are unable to find qualified job candidates in fields such as the trades, sales, and engineering. Some firms are even partnering with colleges to help develop students who can make significant contributions after being hired.[42]

Like any financial decision, the make-or-buy decision can be quantified and calculated when some assumptions are made about time, costs, availability, and quality. Yet, evidence suggests that certain situational characteristics should dictate whether to hire internal or external candidates. For instance, a recent study determined that a company's current well-being is the primary determinant of successful CEO succession, with internal candidates being the best fit during times when performance is high and outside candidates being the best fit during times of crisis.[43]

Metrics and Succession Planning Some organizations measure the impact is of succession planning. A wide range of metrics are used depending on the company's plans. The proper metric(s) should be picked early on in the succession decision process. One key measure a company might consider involves identifying the reduced costs of turnover, which is related to employee retention. Another factor to explore is how

MEASURE

succession planning and its follow-up may lead to higher performance and organizational profitability. Organizations might also track how job vacancies are filled, the availability of candidates, and success rates of succession decisions.

Computerized Succession Planning Models The expansion of information technology capabilities has resulted in employers being able to have succession planning components available electronically to staff members. Skills tracking systems, performance appraisals, and other databases can be linked to succession plans. As employees complete training and development activities, their data can be updated and viewed as career openings become available in the company. Via intranet systems, employees can access and update their data, review job and career opportunities, and complete skill and career interest self-surveys.

9-3c Benefits of Formal Succession Planning

Succession planning can be done formally and informally. As companies become larger, the benefits of formal succession planning become greater, and for these larger companies, formal planning is recommended. Key benefits include the following:

- Having a supply of highly qualified individuals ready for future job openings
- Providing career opportunities and plans for individuals, which helps retention and performance motivation
- Providing a basis for the continual review of staffing requirements as organizational changes occur over time
- Enhancing the "brand" of the company and establishing the organization as a desirable place to work

Common Succession Planning Mistakes CEO succession should be a focus of the boards of directors, not solely HR. One reason why boards have increased the priority of CEO succession is that the Sarbanes-Oxley Act provisions demand that boards do CEO succession planning.

But focusing only on CEO and top management succession is one of the most common mistakes made. Other mistakes include the following:

- Starting too late, when openings are already occurring
- Not linking well to strategic plans
- Allowing the CEO to direct the planning and make all succession decisions
- Looking only internally for succession candidates

All of these mistakes are indicative of poor succession planning.[44] An example of the importance of succession planning is seen in the banking industry. Regulatory provisions and auditors are requiring banks to have succession plans identified for top management jobs. Also, law firms are recognizing the importance of succession planning as more senior partners retire.

Longer-term succession planning should include mid-level and lower-level managers, as well as other key nonmanagement employees. Some firms target key technical, professional, and sales employees as part of succession planning. Others include customer service representatives, warehouse specialists, and additional hourly employees who may be able to move up into other jobs or departments.

Actions such as the planning of careers and development follow from succession planning efforts. The HR Perspective: Staffing Top Positions with Positive Succession Planning describes how one organization performs succession planning.

HR PERSPECTIVE

Staffing Top Positions with Positive Succession Planning

Community Health Systems Professional Services Corp., a Tennessee-based health care consulting and managerial services firm, has developed a unique homegrown approach to the management of succession in the independent hospitals that rely on the company's support. This succession model is based primarily on the development of individual talent so that appropriate and qualified personnel are given high-level job assignments after they have received the necessary work experiences that prepare them for promotion opportunities. Some of these job assignments involve working under top leaders in "assistant" positions to gain important job experiences that can be applied in the future, while other situations call for the promotion of individuals directly into CEO-level assignments. Evidence suggests that the firm's executive recruiting group, focusing on a blend of internal and external talent, has done a good job placing people in hospitals that are affiliated with Community Health Systems Professional Services Corp.

Several factors directly contribute to these successes. The company uses many screening tools to identify the right individuals for top-level jobs, and these tools have enabled the organization to get good candidates for over 75% of these open positions without the assistance of outside recruiting firms. In addition, the company keeps an active dialogue going with top leaders after they are hired, and training and development opportunities are provided to enhance career management. Some noteworthy approaches that company uses include the following:

- Using the Internet, social networking websites, and external/internal referrals to develop stronger relationships with potential job candidates.
- Requiring job candidates to complete an online evaluation that identifies their skills and traits, and then benchmarking these characteristics to the qualities held by high performing employees in the company. These assessments provide a snapshot of individuals' strengths and weaknesses that can be explored during the interview process.
- Providing viable candidates the opportunity to demonstrate their competencies by using scenario-based interview sessions that are shaped by the information identified in the profile data.
- Developing assistant C-level positions that give emerging talent the opportunity to learn from senior managers.[45]

L03 Differentiate between organization-centered and individual-centered career planning.

Career
Series of work-related positions a person occupies throughout life.

9-4 ■ CAREERS AND CAREER PLANNING

A **career** is the series of work-related positions a person occupies throughout life. People pursue careers to satisfy their individual needs. Careers are an important part of talent management, but individuals and organizations view careers in distinctly different ways.[46] Changes in employer approaches to planning for replacement managers based upon a less predictable business environment have put much of the responsibility for a career on the shoulders of individual employees. However, companies need to take some responsibility in the career planning process by helping employees make good decisions and by providing positive work opportunities.

When a company attempts to manage careers internally, there may be typical career paths that are identified for employees.

9-4a Changing Nature of Careers

The old model of a career in which a person worked up the ladder in one organization is becoming rarer. In a few industries, changing jobs and companies every few years is becoming more common. Many U.S. workers in high-demand jobs, such as information technologists and pharmacists, can dictate their own circumstances to some extent. The average 30- to 35-year-old in the United States may have already worked for up to seven different firms. Physicians, teachers, economists, and electricians do not change jobs as frequently on average, however, even in some of these professions valuable employees who are given offers to switch jobs do so at a higher rate than in the past.

Different Views of Careers Various signs indicate that the patterns of individuals' work lives are changing in many areas: more freelancing, more working at home, more frequent job changes, and more job opportunities but less security. Rather than letting jobs define their lives, more people set goals for the type of lives they want and then use jobs to meet those goals. However, for dual-career couples and working mothers, balancing work demands with personal and family responsibilities can be difficult to do.

Labels for several views of careers include the following:[47]

- *Protean career*: assumes individuals will drive their careers and define goals to fit their lives; individuals adapt to career demands by shaping their own KSAs.
- *Career without boundaries*: views a manager as having many possible trajectories for a career, and many are across organizational boundaries; careers can span many companies or industries.
- *Postcorporate career*: individual leaves the large company and builds a career working in smaller businesses or starting entrepreneurial ventures.
- *Kaleidoscope career*: building a career by focusing on important employment factors such as authenticity, work–life balance, and challenge.
- *Hybrid career*: a career that is defined by both protean and career without boundaries viewpoints.

All these different views of careers have merit for different individuals, but they all show that any organization-centered career planning effort will have to consider the unique needs of the individual employee.

9-4b Organization-Centered Career Planning

Since careers are different than in the past, managing them puts a premium on career development by both employers and employees. Effective career planning considers both organization-centered and individual-centered perspectives. Figure 9-4 summarizes the organizational and individual approaches to career planning.

Organization-centered career planning frequently focuses on identifying career paths that provide for the logical progression of people between jobs in an organization. Individuals follow these paths as they advance in organizations. For example, the right person might enter the sales department as a sales representative, then be promoted to account director, to district sales manager, and finally to vice president of sales.

A good career planning program includes the elements of talent management, performance appraisals, development activities, transfer and promotion opportunities,
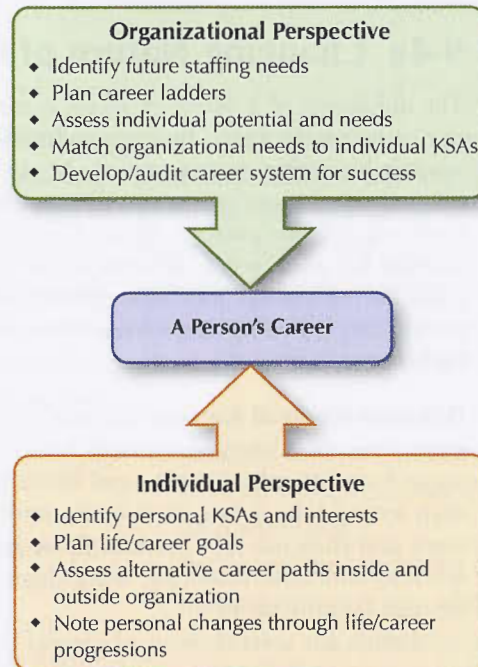
Organization-centered career planning
Career planning that focuses on identifying career paths that provide for the logical progression of people between jobs in an organization.

FIGURE 9-4 Organizational and Individual Career Planning Perspectives

Organizational Perspective
- Identify future staffing needs
- Plan career ladders
- Assess individual potential and needs
- Match organizational needs to individual KSAs
- Develop/audit career system for success

A Person's Career

Individual Perspective
- Identify personal KSAs and interests
- Plan life/career goals
- Assess alternative career paths inside and outside organization
- Note personal changes through life/career progressions

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and succession planning. To communicate with employees about opportunities and help with planning, employers frequently use career workshops, a career "center," newsletter, and career counseling. Individual managers often play the role of coach and counselor in their direct contact with individual employees and within an HR-designed career management system.

The approach used by organizations to enhance careers should provide opportunities for individual growth and development. For example, companies now favor using career lattices comprised of multidirectional job changes and lateral moves as mechanisms for providing employees important career experiences.[48] Another system for managing individual careers is the career path, or "map," which is created and shared with employees.

Career paths

Represent employees' movements through opportunities over time.

Career Paths Employees need to know their strengths and weakness, and they often discover those through company-sponsored assessments. Then, career paths to develop the weak areas and fine-tune the strengths are developed. **Career paths** represent employees' movements through opportunities over time. Although most career paths are thought of as leading upward, good opportunities also exist in cross-functional or horizontal directions.

Working with employees to develop career paths has aided employers in retaining key employees. For example, CDM, the operations, engineering, construction, and consulting company based in Cambridge, Massachusetts, developed career paths based on input collected from key stakeholders including top leaders, scientists, and engineers. These career paths reflected the most important competencies needed to accomplishment company objectives, and proficiency levels and progression maps were established to guide how employees would move to jobs within and between career paths. The entire process was linked to the talent management and development programs that existed in the company.[49]

Employer Websites and Career Planning Many employers have careers sections on their websites to list open jobs. An employer's website is a link to the external world, but should also be seen as a link to existing employee development. Sites can also be used for career assessment, information, and instruction. When designing websites, firms should consider the usefulness of the careers section for development as well as recruitment.

Accommodating Individual Career Needs As noted earlier, not everyone views a career the same way. These perceptions can be driven by employees' varying career stages, which are often defined by different individual preferences regarding work and home. Providing opportunities for appropriate work–life balance is one way that companies can accommodate the changing needs that employees have as they progress through their career stages. Permitting telecommuting for fast-track employees unwilling or unable to relocate is another way to keep talent in the succession pipeline by accommodating individual needs. Such flexibility is often the difference between continuing a career at a firm and moving on.

9-4c Individual-Centered Career Planning

Organizational changes have altered career plans for many people. Individuals have had to face "career transitions"—in other words they have had to find new jobs. These transitions have emphasized the importance of **individual-centered career planning**, which focuses on an individual's responsibility for a career rather than on organizational needs.

Individual-centered career planning
Career planning that focuses on an individual's responsibility for a career rather than on organizational needs.

Individual Actions for Career Planning Individuals who successfully manage their own careers perform several activities:

- *Self-assessment*: Individuals need to think about what interests them, what they do not like, what they do well, and their strengths and weaknesses. Career advisors use many tools to help people understand themselves. Common professional tests include the Strong Interest Inventory to determine preferences among vocational occupations, and the Allport-Vernon-Lindzey Study of Values to identify a person's dominant values.
- *Feedback on reality*: Employees need feedback on how well they are doing, how their bosses see their capabilities, and where they fit in organizational plans for the future. One source of this information is through performance appraisal feedback and career development discussions.
- *Setting of career goals*: Deciding on a desired path, setting timetables, and writing these items down all set the stage for a person to pursue the career of choice. These career goals are supported by short-term plans for the individual to get the experience or training necessary to move forward toward the goals.[50]

Individual Career Choices Four general individual characteristics affect how people make career choices:

- *Interests and values*: People tend to pursue careers that they believe match their interests and values. But over time, interests change for many people, and career decisions eventually are made on the basis of special skills, abilities, and career paths that are realistic for the individual.
- *Self-image*: A career is an extension of a person's self-image, as well as a molder of it. People follow careers they can "see" themselves in and avoid those that do not fit with their perceptions of their talents, motives, and values.
- *Personality*: An employee's personality includes that individual's personal orientation (e.g., extraversion, openness to experience, and conscientiousness) and

personal needs (including affiliation, power, and achievement needs). Individuals with certain personality types gravitate to different clusters of occupations.

- *Social backgrounds*: Socioeconomic status and the educational levels and occupations of a person's parents are included in an individual's social background. Children of a physician or a welder know from a parent what that job is like and may either seek or reject it on the basis of how they view the parent's job.

Less is known about how and why people choose specific organizations than about why they choose specific careers. One obvious factor is timing—the availability of a job when the person is looking for work. The amount of information available about alternatives is an important factor as well. Beyond these issues, people seem to pick an organization on the basis of a "fit" of the climate of the organization as they view it and their own personal characteristics, interests, and needs.
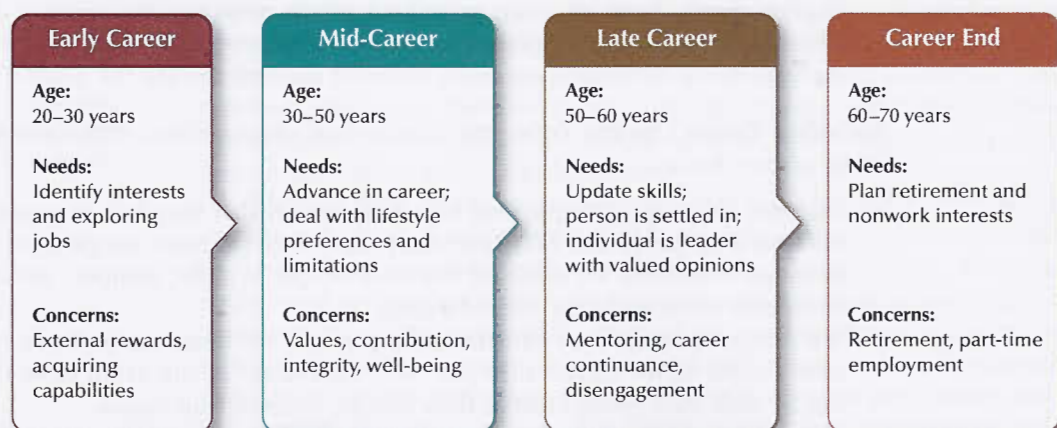
9-4d Career Progression Considerations

The typical career for individuals today includes more positions, transitions, and organizations than in the past, when employees were less mobile and organizations were more stable as long-term employers. But there remain general patterns in people's lives that affect their careers.

Theorists in adult development describe the first half of life as the young adult's quest for competence and for a way to make a mark in the world. According to this view, a person attains happiness during this time primarily through achievement and the acquisition of capabilities. The second half of life is different. Once the adult starts to measure time to the expected end of life rather than from the beginning, the need for competence and acquisition changes to the need for integrity, values, and well-being. For many people, internal values take precedence over external scorecards or accomplishments such as wealth and job title status. In addition, mature adults already possess certain skills, so their focus may shift to interests other than skills acquisition. Career-ending concerns, such as life after retirement, reflect additional shifts. Figure 9-5 shows a model that identifies general career and life periods.

Representative of this life pattern is the idea that careers and lives are not predictably linear but cyclical. Individuals experience periods of high stability followed by transition periods of less stability, and by inevitable discoveries, disappointments, and triumphs. These cycles of structure and transition occur throughout individuals' lives

FIGURE 9-5 General Career Periods

Early Career	Mid-Career	Late Career	Career End
Age: 20–30 years	**Age:** 30–50 years	**Age:** 50–60 years	**Age:** 60–70 years
Needs: Identify interests and exploring jobs	**Needs:** Advance in career; deal with lifestyle preferences and limitations	**Needs:** Update skills; person is settled in; individual is leader with valued opinions	**Needs:** Plan retirement and nonwork interests
Concerns: External rewards, acquiring capabilities	**Concerns:** Values, contribution, integrity, well-being	**Concerns:** Mentoring, career continuance, disengagement	**Concerns:** Retirement, part-time employment

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and careers. This cyclical view may be an especially useful perspective for individuals affected by downsizing or early career plateaus in large organizations. Such a perspective underscores the importance of flexibility in an individual's career. It also emphasizes the importance of individuals' continuing to acquire more and diverse KSAs.

Early Career Issues Early career needs include finding interests, developing capabilities, and exploring jobs. Some organizations do a better job than others of providing those opportunities. Offering programs that satisfy the needs of individuals who are just starting their careers such as flexible work situations, alternative workplace arrangements, development activities, and opportunities to make additional income are some approaches employers use to make jobs more attractive.

However, individuals in the early stages of their work in a profession need to take greater responsibility in career planning. Such effort establishes greater ownership over individual development and facilitates empowerment. Being proactive about career planning also decreases the likelihood of sitting back and letting someone (or something) else manage the process.

Career Plateaus Those who do not change jobs may face another problem: career plateaus. Many workers define career success in terms of upward mobility. As the opportunities to move up decrease, some employers try to convince employees they can find job satisfaction in lateral movement. Such moves can be reasonable if employees learn new skills that increase individual marketability in case of future layoffs, termination, or organizational restructurings.

One strategy for individuals to move beyond career plateaus is to take seminars and university courses. This approach may reveal new opportunities for plateaued employees. Rotating workers to other departments is another way to deal with career plateaus. A computer chip manufacturer instituted a formal "poaching" program that encouraged managers to recruit employees from other departments, thereby giving employees greater opportunities to experience new challenges without having to leave the employer.

Some plateaued individuals change careers and go into other lines of work altogether. Figure 9-6 shows a "portable" career path that one might encounter under those career situations. In summary, plateaued employees present a particular challenge for employers. They can affect morale if they become negative, but they may also represent valuable resources that are not being used appropriately.
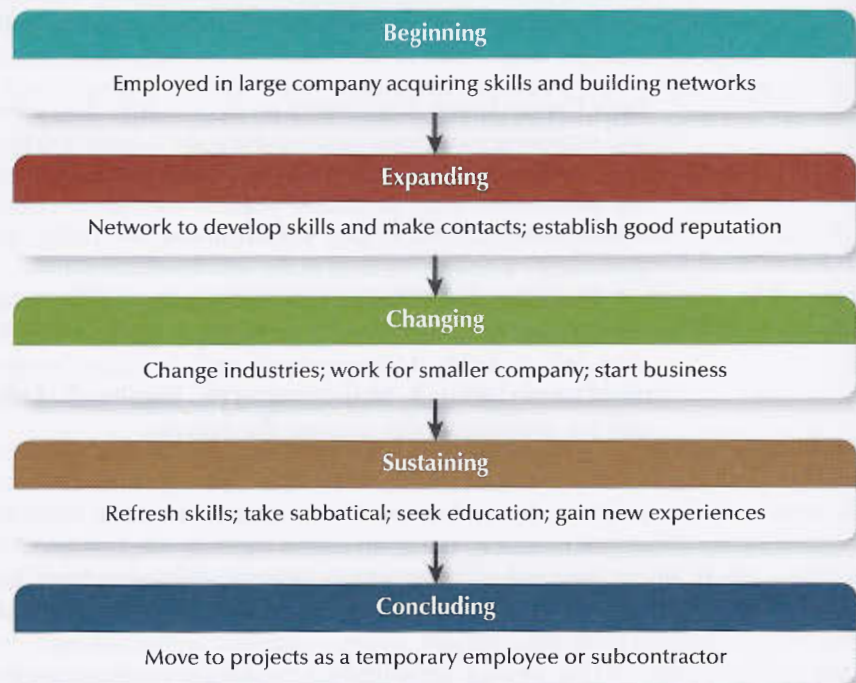
9-4e Career Transitions

Career transitions can be stressful for individuals who change employers and jobs. Three career transitions are of special interest to HR: organizational entry, job loss, and retirement.[51]

Career Entry and Job Loss Starting as a new employee can be overwhelming. "Entry shock" is especially difficult for younger new hires who find the work world very different from school.[52] Entry shock includes the following concerns:

- *Supervisors*: The boss–employee relationship is different from the student–teacher relationship.
- *Feedback*: In school, feedback is frequent and measurable, but that is not true of most jobs.
- *Time*: School has short (quarter/semester) time cycles, whereas time horizons are longer at work.
- *The work*: Problems are more tightly defined at school; at work, the logistical and political aspects of solving work problems are less certain.

FIGURE 9-6 Portable Career Path

| Beginning |
| Employed in large company acquiring skills and building networks |

↓

| Expanding |
| Network to develop skills and make contacts; establish good reputation |

↓

| Changing |
| Change industries; work for smaller company; start business |

↓

| Sustaining |
| Refresh skills; take sabbatical; seek education; gain new experiences |

↓

| Concluding |
| Move to projects as a temporary employee or subcontractor |

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Job loss as a career transition has been most associated with downsizing, mergers, and acquisitions. Losing a job is a stressful event in one's career, frequently causing depression, anxiety, and nervousness. The financial implications and the effects on family can be extreme as well. Yet the potential for job loss continues for many individuals, and effectively addressing their concerns should be considered in career transition decision making.

Retirement Issues The process of retirement can be seen in many ways. For instance, retirement represents a decision-making situation whereby an individual chooses to leave the workplace to pursue personal interests. Retirement can also be understood as an adjustment away from the demands of the workplace to greater psychological well-being achieved outside the job. Still another view of retirement is centered on a protean-based philosophy that explores how well individuals manage their growth and employment opportunities after leaving a career. Finally, retirement can be thought of as a component of HRM because companies provide incentives, training, and other programs that influence retirement decisions.[53]

Whether retirement comes at age 50 or age 70, it can require a major adjustment for many people. Some areas of adjustment faced by retirees include self-direction, a need to belong, satisfying achievement needs, personal space, and goals. To help address concerns over these issues, as well as anxieties about finances, some employers offer preretirement planning seminars for employees.

Career development for people at the end of their careers may be managed in many ways. Phased-in retirement, consulting arrangements, and callback of some retirees as needed all act as means for gradual disengagement between the organization and the individual. However, phased-in retirement (which is widely seen as a good situation for all involved) faces major obstacles in current pension laws.

Under many pension plans, employees who are working may not receive pension benefits until they reach a "normal" retirement age.[54]

Early retirement often occurs as a result of downsizings and organizational restructurings. These events have required many managers and professionals to determine what is important to them while still active and healthy, with some deciding to remain employed in extended or second careers, and others electing to leave the workforce to enjoy leisure time and the pursuit of personal interests. To successfully encourage early retirement, management must avoid several legal issues, such as forced early retirement and pressuring older workers to resign.

9-5 ■ COMMON INDIVIDUAL CAREER PROBLEMS

Four career issues are sufficiently common as to need individual treatment. These are problems with technical and professional workers, women, dual-career couples, and individuals with global careers.

9-5a Technical and Professional Workers

Technical and professional workers, such as engineers, scientists, and IT systems experts, present a special challenge for organizations. Many of these individuals want to stay in their technical areas rather than enter management, yet advancement in many organizations requires a move into management. Most of these people like the idea of the responsibility and opportunity associated with advancement, but they do not want to leave the professional and technical activities at which they excel. Further, the skills required in management roles are very difficult than those needed in technical jobs.

Dual-career ladder
System that allows a person to advance up either a management or a technical/professional ladder.

An attempt to solve this problem is the **dual-career ladder**, a system that allows a person to advance through either a management or a technical/professional ladder. Dual-career ladders are now used at many firms, most commonly in technology-driven industries such as pharmaceuticals, chemicals, computers, and electronics. For instance, a telecommunications firm created a dual-career ladder in its IT department to reward talented technical people who do not want to move into management. Different tracks, each with attractive job titles and pay opportunities, are provided. Some health care organizations are using "master" titles for senior experienced specialists such as radiologists and neonatal nurses who do not want to be managers. The masters are often mentors and trainers for younger specialists. Unfortunately, the technical/professional ladder may be viewed as "second-class citizenship" within some organizations.

9-5b Women and Careers

The percentage of working women has increased over the last several decades, with women making up about half the workforce. Women are employed in all occupations and jobs, but their careers may have a different element than those of men. Since women bear children and are often the primary caregiver, their career planning and advancement may be disrupted.

Work, Family, and Careers A career approach for women frequently is to work hard before children arrive, plateau or step off the career track when children are younger, and go back to career-focused jobs that allow flexibility when the children

are older. This approach is referred to as sequencing. But some women who sequence are concerned that the job market will not welcome them when they return, or that the time away will hurt their advancement chances.

The interaction and conflicts among home, family, and career often affect women differently than they do men. By the time men and women have been out of school for six years, on average women have worked much less time than men. These and other career differences provide challenges for many females. Employers can tap into the female labor market by offering child-care assistance, flexible work policies, and a general willingness to be accommodating. A recent study determined that women are indeed using such flexible employment situations to better manage their careers.[55]

Other approaches have been developed in companies to better utilize women's talents in the workplace. The HR Skills and Applications: Women Develop Holistic Mentoring Program explores mentoring as a positive career management strategy. In particular, partnering women with senior executives, rather than less influential managers, can be useful because these individuals can function as strong advocates for competent female leaders.[56] Connecting women with the proper mentors who are willing to act as sponsors in getting them better, more high-profile positions is the key.[57]

HR PERSPECTIVE

Women Develop Holistic Mentoring Program

In effort to provide women better career opportunities at Qualcomm Inc., 15 women executives representing different organizational levels and functional areas of the firm voluntarily met to discuss the factors that had benefitted their job experiences while working for the company. They found that positive workplace relationships made the biggest difference in their ability to successfully take advantage of opportunities and tackle challenges on the job. They also decided that a more programmatic approach was needed to help women in the company, and this approach would eventually take shape in the form of a new piloted mentorship program.

A pilot program was designed to accomplish many objectives, including the selection and accomplishment of career aspirations, the enhancement of women's KSAs, the creation of diverse employment partnerships, and the development of a corporate philosophy that supports mentoring in the workplace. The program included a total of 40 women who worked with high-level mentors representing different functional areas of Qualcomm. Mentees were given one-on-one opportunities to develop using the advice provided by mentors. Supplemental learning was provided through professional development training and panel sessions covering topics such as presentation skills and tips for career success. Mentors and mentees were matched by comparing responses provided on an online career questionnaire, and participants attended an informal follow-up meeting to get to know each other better.

The mentoring process itself was holistic in nature, meaning that it encompassed a wide variety of important work characteristics. More specifically, a "Five Mys" framework was developed to guide the identification of career improvement areas, which included the components "My Style," "My Career," "My World," "My Craft," and "My Life." Follow up surveys and focus groups facilitated the evaluation of the program, and after careful consideration of the initial findings, the mentoring approach was considered a success.[58]

Glass ceiling
Situation in which women fail to progress into top and senior management positions.

Glass Ceiling Another concern specifically affecting women is the **glass ceiling**. This issue describes the situation in which women fail to progress into top and senior management positions. Nationally, women hold about half of managerial/professional positions but only 10% to 15% of corporate officer positions.[59] Evidence also suggests that women may not be placed as effectively after graduation as men, and that they do not perform as well when returning to the corporate arena from employment in educational, nonprofit, or government entities.[60] Inflexible beliefs about women's roles and placement in the workplace are some of the possible causes of these disparities.[61]

Some organizations provide leaves of absence, often under Family and Medical Leave Act (FMLA) provisions, but proactively keep women involved in the company during time off. Some have used e-mentoring for women temporarily off their jobs. Other firms use "phased returns," whereby women employees return to work part-time and then gradually return to full-time schedules. Consequently, in the United States, women are making slow but steady strides into senior management and executive positions. A recent study determined that women might break the glass ceiling with a phenomenon called the "glass cliff," a situation where a male-led firm in "crisis mode" may turn to women to help turn the business around.[62]

9-5c Dual-Career Couples

As the number of women in the workforce continues to increase, particularly in professional careers, so does the number of dual-career couples. The U.S. Bureau of Labor Statistics estimates that more than 80% of all couples are dual-career couples. Marriages in which both mates are managers, professionals, or technicians have doubled over the past two decades.[63] Problem areas for dual-career couples include family issues and job transfers that require relocations.

Family–Career Issues For dual-career couples with children, family issues may conflict with career progression. It is important that such career development problems be recognized as early as possible. Whenever possible, involving both partners in planning, even when one is not employed by the company, may enhance the success of such efforts.

Relocation of Dual-Career Couples Traditionally, employees accepted transfers as part of upward mobility in organizations. However, both employees and companies often find relocations undesirable because individuals must move away from friends/family, the process is expensive, housing is a challenge, and decreasing numbers who are willing to move suggest that relocations are on the decline as a favored career development strategy.[64]

For some dual-career couples, the mobility required because of one partner's transfer often interferes with the other's career. In addition to having two careers, dual-career couples often have established support networks of coworkers, friends, and business contacts to cope with both their careers and their personal lives. Relocating one partner in a dual-career couple may mean upsetting this carefully constructed network for the other person or creating a "commuting" relationship. Recruiting a member of a dual-career couple to a new location may require HR assistance in finding an equally attractive job for the candidate's partner at the new location through assistance for the nonemployee partner.[65]

GLOBAL

9-5d Global Career Concerns

Global career management can be even more perplexing than managing domestic talent. The movement of managers and employees can be challenging because the corporate policies and cultural characteristics in different countries are often dissimilar, and individual expectations about the success of global assignments can vary greatly, thus affecting motivation and commitment. Successful companies develop a culture that champions the movement of talent globally. Further, they create sound mobility programs and processes that organize assignee information, effectively evaluate candidates, and provide coaching support during global assignments and repatriation efforts.[66] Evidence suggests that providing such career support can decrease employees' intentions to quit and improve their beliefs about career prospects in multinational firms.[67]

Many global employees experience anxiety about their continued career progression. Indeed, while individuals may indicate a willingness to relocate, likely driven by recessionary pressures, workers in the United States and United Kingdom are less interested in global relocation opportunities.[68] Therefore, the international experiences of expatriates must offer benefits both to the employer and to the expatriates in terms of career management.[69] Firms sometimes address this issue by bringing expatriates back to the home country for development programs and interaction with other company managers and professionals during the assignment. Another potentially useful approach is to establish a mentoring system that matches an expatriate with a corporate executive at the headquarters.

Repatriation
Planning, training, and reassignment of global employees back to their home countries.

Repatriation The issue of repatriation involves planning, training, and reassignment of global employees back to their home countries. After expatriates return home, they often no longer receive special compensation packages available to them during their assignments. The result is that they may feel a net decrease in total income, even if they receive promotions and pay increases. In addition to dealing with concerns about personal finances, returning expatriates often must re-acclimate to U.S. lifestyles, transportation, and other cultural circumstances, especially if they have been living in less-developed countries.

Many expatriates have had a greater degree of flexibility, autonomy, and independent decision making while living overseas than their counterparts in the United States. Back in the home organization, repatriated employees must readjust to closer working and reporting relationships with other corporate staff.

Another major concern focuses on the organizational status of expatriates upon return. Many expatriates wonder what jobs they will have, whether their international experiences will be valued, and how they will be accepted back into the organization. Unfortunately, many global employers do a poor job of repatriation. To counter this problem, companies should consider providing expatriates assistance through flexible assignments, mentoring efforts, meetings with key managers, and guarantees of temporary employment after the early completion of foreign assignments.[70] Organizations should also provide career support to expatriates by ensuring that there is good communication during assignments and that proper repatriation training is provided.[71]

Global Development Global managers are more expensive than home-country managers, and more problematic as well.[72] Most global firms have learned that it is often a mistake to staff foreign operations with only personnel from headquarters, and they quickly hire local nationals to work in a country. For this reason, global management development must focus on developing local managers as well

as global executives. Global competencies should also be developed earlier within careers, instead of assigning senior, domestic-based executives to international positions.[73] Development areas can include activities such as promoting cultural issues, running an international business, enhancing leadership/management skills, handling problematic people, and building personal qualities. Organizations might also recruit foreign graduate students into fast-track development programs to staff global positions, offer international assignments to leaders to improve their work experience, and utilize social networking to enhance training and development.[74]

9-6 ■ DEVELOPING HUMAN RESOURCES

LO4 List options for development needs analyses.

Development
Efforts to improve employees' abilities to handle a variety of assignments and to cultivate employees' capabilities beyond those required by the current job.
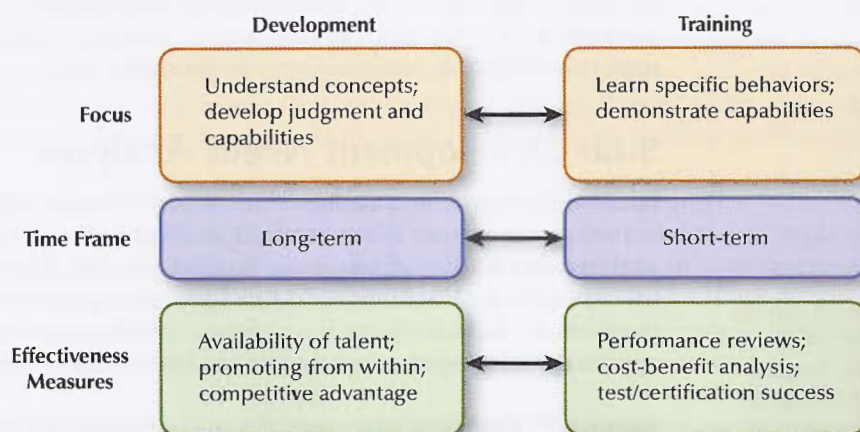
Development represents efforts to improve employees' abilities to handle a variety of assignments and to cultivate employees' capabilities beyond those required by the current job. Development can benefit both organizations and employees. Employees and managers with appropriate experiences and abilities may enhance organizational competitiveness and the ability to adapt to a changing environment. In the development process, individuals' careers may also evolve and shift to new or different focuses. For instance, Panda Express utilizes many employee physical development programs that focus on weight management, exercise, and personal well-being.[75] Similarly, Hilton utilized a developmental program for executives that required them to work in various areas of different hotels to better understand how top-level business decisions influence the firm's properties.[76]

Development differs from training. It is possible to train people to answer customer service questions, drive a truck, enter data in a computer system, set up a drill press, or assemble a television. However, development in areas such as judgment, responsibility, decision making, and communication presents a bigger challenge. These areas may or may not develop through ordinary life experiences of individuals. A planned system of development experiences for all employees, not just managers, can help expand the overall level of capabilities in an organization. Figure 9-7 profiles development and compares it with training.

FIGURE 9-7 Development versus Training

	Development	Training
Focus	Understand concepts; develop judgment and capabilities	Learn specific behaviors; demonstrate capabilities
Time Frame	Long-term	Short-term
Effectiveness Measures	Availability of talent; promoting from within; competitive advantage	Performance reviews; cost-benefit analysis; test/certification success

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9-6a Possible Development Focuses

Some important and common management capabilities that may require development include an action orientation, quality decision-making skills, ethical values, and technical skills. Abilities to build teams, develop subordinates, direct others, and deal with uncertainty are equally important but much less commonly developed capabilities for successful managers. For some tech specialties (tech support, database administration, network design, etc.), certain nontechnical abilities must be developed as well, such as the ability to work under pressure, work independently, solve problems quickly, and use past knowledge in a new situation.

One point about development is clear: In numerous studies that asked employees what they want out of their jobs, training and development ranked at or near the top. The primary assets that individuals have are their knowledge, skills, and abilities (KSAs), and many people view the development of their KSAs as an important part of their jobs.

Lifelong Learning Learning and development are closely linked. For most people, lifelong learning and development are necessary and desirable. For many professionals, lifelong learning may mean meeting continuing education requirements to retain certificates. For example, lawyers, CPAs, teachers, dentists, and nurses must complete continuing education requirements in most states to keep their licenses to practice. For other employees, learning and development may involve training to expand existing skills and to prepare for different jobs, for promotions, or even for new jobs after retirement.

Assistance from employers needed for lifelong development typically comes through programs at work, including tuition reimbursement programs. However, much of lifelong learning is voluntary, takes place outside work hours, and is not always formal. Although it may have no immediate relevance to a person's current job, learning often enhances an individual's confidence, ideas, and enthusiasm.

Redevelopment Whether due to a desire for career change or because the employer needs different capabilities, people may shift jobs in midlife or mid-career. Redeveloping people in the capabilities they need is logical and important. In the last decade, the number of college enrollees over the age of 35 has increased dramatically. But helping employees go back to college is only one way of redeveloping them. Some companies offer redevelopment programs to recruit experienced workers from other fields. For example, firms needing truck drivers, reporters, and IT workers have sponsored second-career programs. Public-sector employers have used redevelopment opportunities as a recruiting tool.

9-6b Development Needs Analyses

Like employee training, employee development begins with analyses of the needs of both the organization and the individuals. Either the company or the individual can analyze what KSAs a given person needs to develop. The goal, of course, is to identify strengths and weaknesses. Methods that organizations use to assess development needs include assessment centers, psychological testing, and performance appraisals. Development metrics are used to determine effectiveness.

Assessment centers
Collections of instruments and exercises designed to diagnose individuals' development needs.

Assessment Centers Collections of test instruments and exercises designed to diagnose individuals' development needs are referred to as **assessment centers**. Companies

can use assessment centers for both developing and selecting managers. Employers use assessment centers for a wide variety of jobs.

In a typical assessment-center experience, an individual spends two or three days away from the job performing many assessment activities. These activities might include role-playing, tests, cases, leaderless-group discussions, computer-based simulations, and peer evaluations. Frequently, they also include in-basket exercises, in which the individual handles typical work and management problems. For the most part, the exercises represent situations that require the use of individual skills and behaviors. During the exercises, several specially trained judges observe the participants and later share their observations with the candidates.

Assessment centers provide an excellent means for determining individual potential.[77] Management and participants often praise them because they are likely to overcome many of the biases inherent in interview situations, supervisor ratings, and written tests. Experience shows that key variables such as leadership, initiative, and supervisory skills cannot be measured with tests alone. Assessment centers also offer the advantage of helping to identify employees with potential in large organizations. Supervisors may nominate people for the assessment center, or employees may volunteer. For talented people, the opportunity to volunteer is invaluable because supervisors may not otherwise recognize their potential interests and capabilities.

Assessment centers can also raise concerns. Some managers may use the assessment center to avoid making difficult promotion decisions. Suppose a plant supervisor has personally decided that an employee is not qualified for promotion. Rather than being straightforward and informing the employee, the supervisor sends the employee to the assessment center, hoping the report will show that the employee is unqualified for promotion. Problems between the employee and the supervisor may worsen if the employee earns a positive report, highlighting the potential for supervisor bias. Having HR oversee the results of assessment centers can mitigate such concerns.

Psychological Testing Psychological tests have been used for years to determine employees' developmental potential and needs. Intelligence tests, verbal and mathematical reasoning tests, and personality tests are often given. Psychological testing can furnish useful information on individuals about such factors as motivation, reasoning abilities, leadership style, interpersonal response traits, and job preferences.

The biggest problem with psychological testing lies in interpretation, because untrained managers, supervisors, and workers usually cannot accurately interpret test results. After a professional scores the tests and reports the values to others in the organization, untrained managers may attach their own meanings to the findings. Also, some psychological tests are of limited validity, and test takers may fake desirable responses. Thus, psychological testing is appropriate only when the testing and feedback processes are closely handled by a qualified professional.

Performance Appraisals Well-done performance appraisals can be a source of development information. Performance data on productivity, employee relations, job knowledge, and other relevant dimensions can be gathered in such assessments. In this context, appraisals designed for development purposes (discussed in more detail in Chapter 10) may be different and more useful in aiding individual employee development than appraisals designed strictly for administrative purposes.

Development Metrics Organizations can use metrics to determine employees' developmental needs as well as measure development success. For example, assessments

that target the proper skills needed to perform work can be used to identify the content that should be included in development programs.[78] The effectiveness of development programs can also be ascertained by using metrics. For instance, Harrah's Entertainment utilized metrics to determine how effective its efforts have been in developing greater engagement among workers.[79]

9-7 ■ HUMAN RESOURCES DEVELOPMENT APPROACHES

Common development approaches can be categorized under three major headings, as Figure 9-8 depicts. Investing in human intellectual capital can occur on or off the job and in "learning organizations." Development becomes imperative as "knowledge work," such as research skills and specialized technology expertise, increases for almost all employers. But identifying the right mix of approaches for development needs requires analyses and planning.

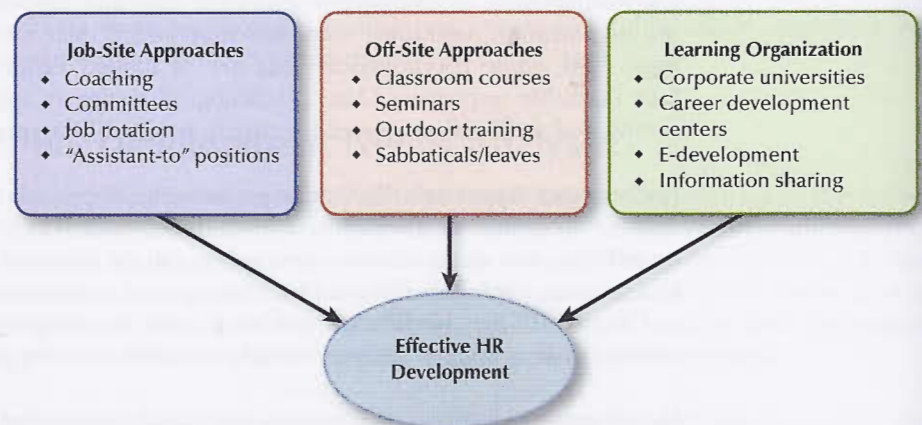## 9-7a Job-Site Development Approaches

All too often, unplanned and perhaps useless activities pass as development on the job. To ensure that the desired development actually occurs, managers must plan and coordinate their development efforts. Managers can choose from various job-site development methods.[80]

Coaching
Observation with suggestion.

Coaching The oldest on-the-job development technique is **coaching**, which involves observation and feedback given to employees by immediate supervisors. Coaching is the continual process of learning by doing. For coaching to be effective, employees and their managers must have a healthy and open relationship.

The success of coaching is being seen in companies throughout the world. One type of coaching that is growing is team coaching. This approach focuses on coaching groups of employees on how to work more effectively as parts of workforce

FIGURE 9-8 HR Development Approaches

Job-Site Approaches	Off-Site Approaches	Learning Organization
• Coaching	• Classroom courses	• Corporate universities
• Committees	• Seminars	• Career development
• Job rotation	• Outdoor training	centers
• "Assistant-to" positions	• Sabbaticals/leaves	• E-development
		• Information sharing

Effective HR Development

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teams. Such team efforts may utilize outside consultants and cover many areas. Group coaching on leadership may help create high-performance teams.

Unfortunately, organizations may be tempted to implement coaching without sufficient planning. Even someone who is good at a job will not necessarily be able to coach someone else to do it well. "Coaches" can easily fall short in guiding learners systematically, even if they know which experiences are best.[81] The coach's job responsibilities may take priority over learning and coaching of subordinates. Also, the intellectual component of many capabilities might be better learned from a book or a course before coaching occurs. Outside consultants may be used as coaches at the executive level.

Committee Assignments Assigning promising employees to important committees may broaden their experiences and help them understand the personalities, issues, and processes governing the organization. For instance, employees on a safety committee can gain a greater understanding of safety problems and management, which would help them to become supervisors. They may also experience the problems involved in maintaining employee safety awareness. However, managers need to guard against committee assignments that turn into time-wasting activities.

Job rotation
Process of moving a person from job to job.

Job Rotation The process of moving a person from job to job is called **job rotation**, and it is widely used as a development technique. For example, a promising young manager may spend three months in a plant, three months in corporate planning, and three months in purchasing. When properly handled, such job rotation fosters a greater understanding of the organization and aids with employee retention by making individuals more versatile, strengthening their skills, and reducing boredom. When opportunities for promotion within a smaller or medium-sized organization are scarce, job rotation through lateral transfers may help rekindle enthusiasm and develop employees' talents. A disadvantage of job rotation is that it can be expensive because a substantial amount of time is required to acquaint trainees with the different people and techniques in each new unit.

Assistant to Positions Some firms create assistant to positions, which are staff positions immediately under a manager (e.g., Assistant to HR Director). Through such jobs, trainees can work with outstanding managers they might not otherwise have met. Some organizations set up "junior boards of directors" or "management cabinets" to which trainees may be appointed. These assignments provide useful experiences if they present challenging or interesting tasks to trainees.

9-7b Off-Site Development Approaches

Off-the-job development techniques give individuals opportunities to get away from their jobs and concentrate solely on what is to be learned. Contact with others who are concerned with slightly different problems and come from different organizations may provide employees with new and different perspectives. Various off-site methods can be used.

Classroom Courses and Seminars Most off-the-job development programs include some classroom instruction. People are familiar with classroom training, which gives it the advantage of being widely accepted. But the lecture system sometimes used in classroom instruction encourages passive listening and reduced learner participation, which is a distinct disadvantage. Sometimes trainees have little opportunity to

question, clarify, and discuss the lecture material. The effectiveness of classroom instruction depends on multiple factors: group size, trainees' abilities, instructors' capabilities and styles, and subject matter.

Organizations often send employees to externally sponsored seminars or professional courses, such as those offered by numerous professional and consulting entities. Organizations also encourage continuing education by reimbursing employees for the costs of college courses. Tuition reimbursement programs provide incentives for employees to study for advanced degrees through evening and weekend classes that are given outside of their regular workdays and hours.

Outdoor Development Experiences Some organizations send executives and managers to experiences held outdoors, called *outdoor training* or outdoor development. The rationale for using these wilderness excursions, which can last one day or a week (or longer), is that such experiences can increase self-confidence and help individuals reevaluate personal goals and efforts. For individuals in work groups or teams, shared risks and challenges outside the office environment can create a sense of teamwork. The challenges may include rock climbing in the California desert, whitewater rafting on a river, backpacking in the Rocky Mountains, or handling a longboat off the coast of Maine.

Survival-type management development courses may have more impact than many other management seminars. But companies must consider the inherent perils. Some participants have been unable to handle the physical and emotional challenges associated with rappelling down a cliff or climbing a 40-foot tower. The decision to sponsor such programs should depend on the capabilities of the employees involved and the learning objectives.

Sabbatical
Time off the job to develop and rejuvenate oneself.

Sabbaticals and Leaves of Absence A sabbatical is an opportunity provided by some companies for employees to take time off the job to develop and rejuvenate, as well as to participate in activities that help others. Some employers provide paid sabbaticals, while others allow employees to take unpaid sabbaticals. The length of time taken off from work varies greatly.

Companies that offer sabbaticals speak well of the results. Positive reasons for sabbaticals are to help prevent employee burnout, offer advantages in recruiting and retention, and boost individual employee morale. Female employees have made use of sabbaticals or leaves for family care reasons. The value of this time off to employees is seen in better retention of key women, who also often return more energized and enthusiastic about their work–life balancing act. The nature of the learning experience generally falls outside the control of the organization, leaving it somewhat to chance. The HR ethics: Sabbaticals Reinvigorate Employees discusses the use of sabbaticals in organizations as a career development tool.

9-7c Learning Organizations and Development

As talent management becomes more important, employers may wish to encourage *learning organizations*. Learning organizations do their best to teach employees how to be effective through formal learning processes such as seminars, job experiences, and sound leadership, as well as through informal mechanisms such as social learning, behavioral norms, and information sharing. Such a learning environment can be difficult to introduce into an organization where it has not grown on its own. But in situations where it already exists, a learning organization offers a

HR ETHICS

Sabbaticals Reinvigorate Employees

Some organizations have developed sabbatical programs to help reduce individual burnout and turnover, and to increase worker engagement and motivation, particularly for those employees who work in jobs that are highly stressful. Popular for many years in the academic world, sabbaticals are starting to become more common in the business community, especially among firms ranked in *Fortune* magazine's 100 Best Companies to Work For. Sabbaticals give employees the ability to take time off from work to do things such as regaining their energy, working on developmental activities to enhance their careers, and/or participating in enrichment projects that help communities outside the company. In this sense, sabbaticals can be considered visible symbols of ethics and social responsibility because employees and stakeholders benefit from the company's concern about their well-being.

Sabbaticals are beneficial for both employees and employers. The individuals taking the sabbatical get the opportunity to "recharge their batteries" and pursue interests that help them develop as business professionals. However, the workers who are not on sabbatical also benefit because they get a chance to cover for the absent em-

ployees and perform new job duties. Evidence suggests that these opportunities are strongly related to employee attraction and retention because (1) job candidates like sabbaticals and (2) the programs are usually tied to employment longevity. Further, sabbaticals are not typically costly to companies because other employees usually cover the workload of individuals who are gone, making the program resource-neutral. For instance, Kimpton Hotels & Restaurants started giving managers one month off from work after they had been employed with the company for seven years. The sabbaticals were offered to give aspiring leaders a chance to gain valuable work experience while individuals were away. The program was a success because it helped with succession planning and empowered participants.

The characteristics and administration of sabbaticals vary among companies, such as who is eligible to participate (i.e., some companies only allow top leaders to take the time off), but these programs tend to share some common characteristics in practice. Sabbaticals usually last one to two months and often involve paid time off. Further, sabbaticals are often taken within a specific time after the eligibility threshold has been met by employees.[82]

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significant opportunity to develop employees. Figure 9-9 depicts some possible means for developing employees in a learning organization.

Knowledge-based organizations that deal primarily with ideas and information must have employees who are experts at one or more conceptual tasks. These employees continuously learn and solve problems in their areas of expertise. Developing such employees requires an "organizational learning capacity" based on solving problems and learning new ways not previously used. Encouraging them to pass their knowledge on to others is the basis for a learning organization.

Corporate Universities and Career Development Centers Large organizations may use corporate universities to develop managers and other employees. For instance, for over 50 years McDonald's has used Hamburger University to deliver accredited courses that prepare its managers for the challenges and opportunities associated with

FIGURE 9-9 Characteristics of a Learning Organization

Characteristics of a Learning Organization
- Informal development
- Formal development
- Team sharing
- Coaching or mentoring
- Observation
- Individual development plans
- Job rotation

Result
Individual learning and development

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managing the company.[83] Sometimes regarded as little more than fancy packaging for company training, such classes may not provide a degree, accreditation, or graduation in the traditional sense. To make corporate universities more effective, these programs need to focus on the creation of important individual skills that help organizations accomplish goals, and the effectiveness of corporate universities needs to be assessed. A related alternative, partnerships between companies and traditional universities, can occur where the universities design and teach specific courses for employers.[84]

Career development centers can also be set up to coordinate in-house programs and programs provided by third parties. They may include assessment data for individuals, career goals and strategies, coaching, seminars, and online approaches.

E-Development The rapid growth in technology has led to more use of e-development. Online development can take many forms, such as video conferencing, live chat rooms, document sharing, video and audio streaming, and Web-based courses. HR staff members can facilitate online development by providing a *learning portal*, which is a centralized website for news, information, course listings, business games, simulations, and other materials.

Online development allows participation in courses previously out of reach due to geographic or cost considerations. It allows costs to be spread over a larger number of people, and it can be combined with virtual reality and other technological tools to make presentations more interesting. It can eliminate travel costs as well. When properly used, e-development is a valuable HR tool. However, lack of realism can diminish the learning experience. The focus must be learning, not just "using the technology."

L06 Identify the several management development methods.

9-8 ■ MANAGEMENT DEVELOPMENT

Although development is important for all employees, it is essential for managers. Without appropriate development, managers may lack the capabilities to best deploy and manage resources (including employees) throughout the organization. While classroom

training can be helpful, experience often contributes more to the development of senior managers because much of it occurs in varying real-life, on-the-job situations.

However, in many organizations it is difficult to find managers for middle-level jobs that provide important work experience. Some individuals refuse to take middle-management jobs, feeling that they are caught between upper management and supervisors. Similarly, not all companies take the time to develop their own senior-level managers. Instead, senior managers and executives are often hired from outside, leaving the company's middle managers behind. Figure 9-10 shows experience-based sources of managers' learning and lists some important lessons for supervisors, middle managers, and senior-level executives that should be provided by development activities.
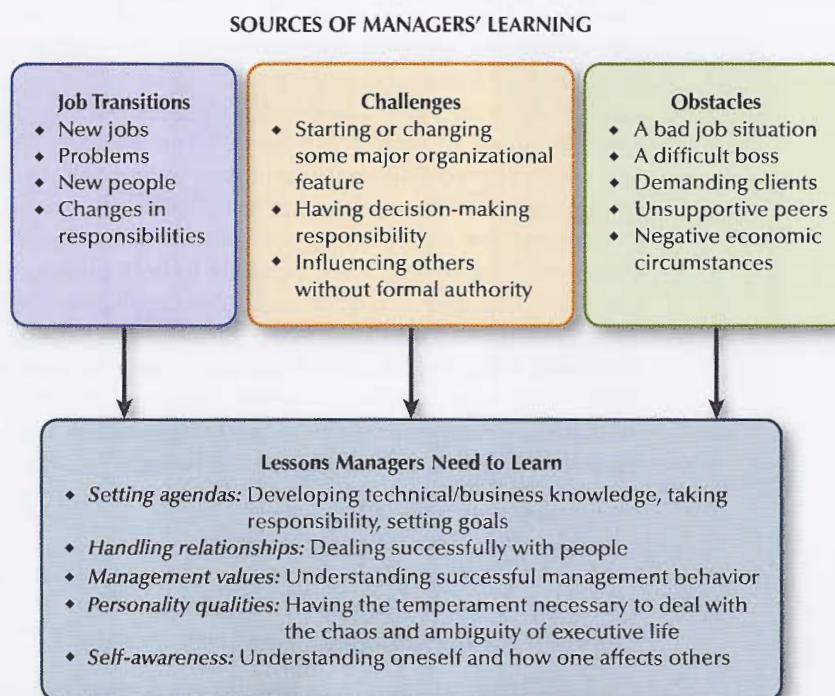
Numerous approaches are used to mold and enhance the experiences that managers need to be effective.[85] The most widely used methods are supervisor development, leadership development, management modeling, management coaching, management mentoring, and executive education.

9-8a Supervisor Development

The beginning level for managerial development is the first-line supervisory job. It is often difficult to go from being a member of the work group to being the boss. Therefore, the new supervisors who are used to functioning as individual contributors often require new skills and mind-sets to be successful supervisors.

Employers may conduct *presupervisor training*. This is done to provide realistic job previews of what supervisors will face and to convey to individuals that they cannot just rely on their current job skills and experience in their new positions. Development for supervisors may vary but usually includes some common elements.

FIGURE 9-10 Management Lessons Learned from Job Experience

SOURCES OF MANAGERS' LEARNING

Job Transitions	Challenges	Obstacles
• New jobs • Problems • New people • Changes in responsibilities	• Starting or changing some major organizational feature • Having decision-making responsibility • Influencing others without formal authority	• A bad job situation • A difficult boss • Demanding clients • Unsupportive peers • Negative economic circumstances

Lessons Managers Need to Learn

- *Setting agendas:* Developing technical/business knowledge, taking responsibility, setting goals
- *Handling relationships:* Dealing successfully with people
- *Management values:* Understanding successful management behavior
- *Personality qualities:* Having the temperament necessary to deal with the chaos and ambiguity of executive life
- *Self-awareness:* Understanding oneself and how one affects others

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The usual contents for supervisor training and development includes several topics, such as basic management responsibilities, time management, and human relations.

Human relations training helps to prepare supervisors to deal with "people problems" associated with overseeing employees. The training focuses on the development of the human relations skills a person needs to work well with others. Most human relations programs are aimed at new or relatively inexperienced first-line supervisors and middle managers. They cover motivation, leadership, employee communication, conflict resolution, team building, and other behavioral topics.

The most common reason employees fail after being promoted to a supervisors's job is poor teamwork with subordinates and peers. Other common reasons for management failure include not understanding expectations, failure to meet goals, difficulty adjusting to management responsibilities, and inability to balance work and home lives.

9-8b Leadership Development

Organizations are aware that effective leaders create positive change and are important for organizational success. Firms such as Johnson & Johnson, General Electric, and 3M Company are among the top firms in leadership development. Leadership development is expanding a person's capacity to be effective in leadership roles. This development occurs in many ways: classroom programs, assessments, modeling, coaching, job assignments, mentoring, and executive education.

While universities may produce smart, ambitious graduates with good technical skills, many face a very steep learning curve when making the change from school into leadership positions.[86] Common ways to help individuals transition successfully into leadership roles include modeling, coaching, mentoring, and executive education.

Modeling A common adage in management development says that managers tend to manage as they were managed. In other words, managers learn by behavior modeling, or copying someone else's behavior. This tendency is not surprising, because a great deal of human behavior is learned by modeling. Children learn by modeling the behaviors of parents and older children. Management development efforts can take advantage of natural human behavior by matching young or developing managers with appropriate models and then reinforcing the desirable behaviors exhibited by the learners. The modeling process involves more than straightforward imitation or copying. For example, one can learn what not to do by observing a model who does something wrong. Thus, exposure to both positive and negative models can benefit a new manager as part of leadership development efforts.

Coaching Coaching effective leadership requires patience and good communication skills.[87] As noted earlier, coaching combines observation with suggestions. Like modeling, it complements the natural way humans learn. An outline of good coaching pointers will often include the following:

- Explain appropriate behaviors.
- Make clear why actions were taken.
- Accurately state observations.
- Provide possible alternatives/suggestions.
- Follow up and reinforce positive behaviors used.

Leadership coaching is a specific application of coaching. Companies may use outside experts as executive coaches to help managers improve leadership skills.

Sometimes these experts are used to help deal with problematic management styles. Consultants serving as executive coaches predominantly come from a psychology or counseling background and can serve many roles for a client by providing key questions and general directions. Sometimes they meet with employees in person, but many do their coaching by phone or electronically. Research on the effectiveness of leadership coaching suggests that coaching can be beneficial in dealing with chronic stress, psychological difficulties, and even physiological problems faced by executives and managers.
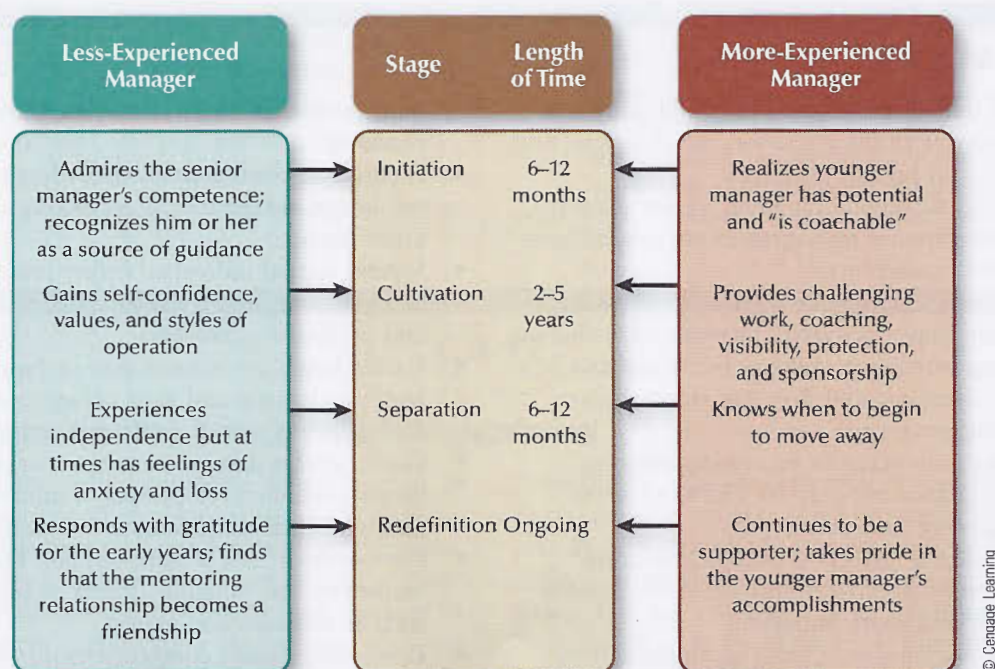
Management mentoring

A relationship in which experienced managers aid individuals in the earlier stages of their careers.

Management Mentoring A method called **management mentoring** is a relationship in which experienced managers aid individuals in the earlier stages of their careers.[88] Such a relationship provides an environment for conveying technical, interpersonal, and organizational skills from a more-experienced person to a designated less-experienced person. Not only does the inexperienced employee benefit, but the mentor also may enjoy having the opportunity and challenge of sharing wisdom.[89]

Fortunately, many individuals have a series of advisors or mentors during their careers and may find advantages in learning from the different mentors. Additionally, those being mentored may find previous mentors to be useful sources for networking. Figure 9-11 describes the four stages in most successful mentoring relationships.

In many countries around the world, the proportion of women holding management jobs is lower than the proportion of men holding such jobs. Similarly, the number of racial and ethnic minorities who fill senior management positions is also low. Company mentoring programs that focus specifically on women and individuals of different racial/ethnic backgrounds have been successful in some larger firms. On the basis of various narratives of successful women executives, breaking the glass ceiling requires developing political sophistication, building credibility, and refining management styles aided by mentoring.

FIGURE 9-11 Stages in Management Mentoring Relationships

Less-Experienced Manager	Stage	Length of Time	More-Experienced Manager
Admires the senior manager's competence; recognizes him or her as a source of guidance	Initiation	6–12 months	Realizes younger manager has potential and "is coachable"
Gains self-confidence, values, and styles of operation	Cultivation	2–5 years	Provides challenging work, coaching, visibility, protection, and sponsorship
Experiences independence but at times has feelings of anxiety and loss	Separation	6–12 months	Knows when to begin to move away
Responds with gratitude for the early years; finds that the mentoring relationship becomes a friendship	Redefinition	Ongoing	Continues to be a supporter; takes pride in the younger manager's accomplishments

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Executive Education Executives in an organization often face difficult jobs because of changing and unknown circumstances. Churning at the top of organizations and the stresses of executive jobs contribute to increased turnover in these positions. In an effort to decrease turnover and increase management development capabilities, organizations are using specialized education for executives. This type of training includes executive education traditionally offered by university business schools and adds strategy formulation, financial models, logistics, alliances, and global issues. Enrollment in Executive Masters of Business Administration (EMBA) degree programs is also popular.

9-8c Problems with Management Development Efforts

Management development efforts are subject to certain common mistakes and problems. Many of the problems have resulted from inadequate HR planning and a lack of coordination of HR development efforts. Common problems include the following:

- Failing to conduct adequate needs analysis
- Trying out fad programs or training methods
- Substituting training for selecting qualified individuals

Another common management development problem is *encapsulated development,* which occurs when an individual learns new methods and ideas, but returns to a work unit that is still bound by old attitudes and methods. The development was "encapsulated" in the classroom and is essentially not used on the job. Consequently, individuals who participate in development programs paid for by their employers may become discouraged and move to new employers who allow them to use their newly developed capabilities more effectively.

SUMMARY

- Talent management is important because it is concerned with the attraction, development, and retention of human resources.
- Training, succession planning, career planning, and performance management are crucial parts of talent management.
- Succession planning is the process that identifies how key employees are to be replaced, including deciding whether to make or buy talent and how to use electronic and Web-based succession planning programs.
- Mistakes can occur in succession planning, including focusing only on CEO and senior management succession.
- The nature of careers is changing because retention of employees and work–life balance have become more important.
- Career planning may focus on organizational needs, individual needs, or both; and career

- paths and employer websites are part of career planning.
- A person chooses a career according to interests, self-image, personality, social background, and other factors.
- Several special individual career issues must be addressed, including those related to technical and professional workers.
- Career issues for women may include work–family balancing and glass ceiling concerns, as well as being part of dual-career couples.
- Global career development has special challenges, including relocations of dual-career couples, global development, and repatriation.
- Development differs from training because it focuses on less tangible aspects of performance, such as attitudes and values.
- Developing specific competencies may require life-long learning and redevelopment of employees.

- Needs analyses for development may include assessment centers, psychological testing, and performance appraisals.
- HR development approaches can involve job-site, off-site, and learning organization activities.
- On-the-job development methods include coaching, committee assignments, job rotation, and "assistant-to" positions.
- Off-site development means often include classroom courses, seminars, and degrees; outdoor experiences; and sabbaticals and leaves of absences.

- Learning organization development efforts reflect knowledge-based means, such as corporate universities and centers and e-development efforts.
- Management development is a special focus in many organizations, including supervisor development and leadership development.
- Management modeling, coaching, and mentoring are valuable parts of management development efforts.

CRITICAL THINKING CHALLENGES

1. Discuss what talent management is and why it is a consideration addressed by a growing number of employers.

2. Describe the broad range of talent management efforts that use software applications by going to www.learn.com. Then give some examples of firms that have successfully used these applications.

3. How has the increase in uncertainty in business affected the "make-or-buy" decision, and is this trend likely to change?

4. Design a management development program for first-level supervisors in an electric utility company. What courses and experiences do they need?

5. You are the HR Director of a large manufacturing company that is approximately 50 years old. The company has reaped the benefits of a mostly tenured workforce, and many

of the key workers are now approaching retirement age. It is anticipated that approximately 20% of the company's workforce will retire in the next three to five years. You are also planning to retire within that period of time. To assist the company with the retirement transition process, you want to present a business case to the President for a succession plan for several key positions, including the Chief Financial Officer and Director of Operations.

A. Which outside company advisors should be included in the succession planning process?

B. The successor employee for the replacement of the Chief Financial Officer and Director of Operations positions should have an advanced level of work experience in what key essential functions? How can the company help candidates get these experiences?

CASE

Walgreens Scores Victory with Volunteers

In an effort to better utilize the talent level of its human resources, Walgreens created an innovative talent management program for its finance division, which involved getting input from current employees who volunteered their time to help the firm. A key component of this career development plan was the use of HR business partners throughout the

organization who worked with operational leaders to create skills-based training programs for employees. By focusing on the development of important skills, current workers would ideally be better prepared for the challenges and opportunities that existed in Walgreens. What made this program particularly unique is its reliance on volunteers to

identify important skill sets and create the kinds of initiatives that would help employees gain the most relevant competencies.

The creation of this training and career development effort was a detailed process that required extensive teamwork, coordination, and strategic planning. The primary components of the program were also based on several key themes and institutional approaches:

1. Walgreens initially advertised and promoted the program in the company's newsletter and in various meetings. Employee volunteers were told that their commitment to the program would ultimately help all workers enhance their long-term career opportunities at Walgreens. This strategy generated great interest among employees, and the company quickly identified the appropriate number of volunteers to kickoff the initiative.

2. Developmental blueprints were developed by employees so that individuals could better control their own career prospects at Walgreens. These blueprints helped
   - identify possible employment paths that operated through a variety of career tracks;
   - provide the proper training activities and enhancement opportunities that facilitate the accomplishment of career goals; and
   - position the company as a desirable employer.

3. A multistep phase-in of the program was initiated, which involved placing employees on teams that supervised different functional components of the blueprint model. These components included training and development, managerial succession, reward systems, technology utilization, metric identification and scorecards (using an employee survey), and many others.

4. Online educational videos and multimedia content was offered to employees to enhance their career development in the firm.

While the program has improved talent management at Walgreens, another big change has occurred because finance and accounting professionals were trained to better manage human resources, broadening the discipline's appeal across professional boundaries.[90]

QUESTIONS

1. Why was it good for Walgreens to get input from volunteers?

2. Why was it necessary to rely on employee blueprints to enhance career management in the company?

3. Why was it important to familiarize individuals in other business functions of the organization? How should this approach help Walgreens?

SUPPLEMENTAL CASES

Leadership Leverage

The case demonstrates how a healthcare company utilized talent group to better management the development of employees. (For the case, go to www.cengage.com/management/mathis.)

Equipping for the Future

This case shows how one company in the oil industry started a succession planning program. (For the case, go to www.cengage.com/management/mathis.)

Developed Today, Gone Tomorrow

This case illustrates a serious concern some employers have about developing employees only to have them leave. (For the case, go to www.cengage.com/management/mathis.)

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10

Performance Management and Appraisal

Learning Objectives

After you have read this chapter, you should be able to:

1 Identify why performance management is necessary.
2 Distinguish among three types of performance information.
3 Explain the differences between administrative and developmental uses of performance appraisal.
4 Describe the advantages and disadvantages of multisource (360-degree) appraisals.
5 Discuss the importance of training managers and employees on performance appraisal, and give examples of rater errors.
6 Identify several concerns about appraisal feedback and ways to make it more effective.

HR HEADLINE

Performance Management at Intuit

Performance management, if it is done correctly, sends clear messages to employees about what matters to the company and its managers. Intuit Inc. is a provider of financial management tools to accountants and financial institutions. The company sets growth plans annually and translates those into "stretch goals" for employers and teams. The intent is to reward aggressive innovation, even if a project fails. Overall business impact is the key concern, not just the completion of goals. The company feels that a goal-oriented culture can become frustrating if it allows employees to set objectives that are easy to reach.

Intuit believes that identifying peoples' contributions is essential to a performance culture, and the firm uses the following performance labels: *top performers*, *solid contributors*, *trailing performers*, and *continually low performers*. The evaluation given to top performers signals they have contributed beyond most others, and Intuit insists that managers make full use of all available rewards to reinforce top performance including compensation, recognition, and opportunity. These can also include merit raises, bonuses, equity awards, spot awards, development opportunities, and growth assignments.

The company tests its performance management system by asking, "Would we put our performance management system on our recruitment website as a way to attract good candidates?" Intuit feels that transparency, trust, and accountability will help performance management maintain its key role in a high-performance culture.[1]

Individual job performance is of interest to both organizations and managers. Good performance creates success for the organization and poor performance threatens that success.[2] All managers want employees who perform their jobs well, but that does not happen automatically. Well-designed performance management practices greatly increase the likelihood that good performance will follow, and for some poor performance will be identified and dealt with.

Performance management identifies the necessary work an individual is to do. It should also encourage, measure, and evaluate that performance. And finally it seeks to communicate, improve, and reward performance.[3] Even well-intentioned employees do not always know exactly what is expected or how to improve their performance. This guarantees that performance management will be necessary. Further, if dismissal becomes necessary the employer must be able to show that the employee was advised of the problems and the consequences of failing to improve. Dismissal without these necessary steps can risk a negative legal outcome.[4]

LO1 Identify why performance management is necessary.

10-1 ■ THE NATURE OF PERFORMANCE MANAGEMENT

The performance management process starts by identifying the goals an organization needs to accomplish to remain competitive and profitable. Managers then identify how they and their employees can support those objectives by successfully completing work. Of course, the sum of the work completed in all jobs should be what is necessary to advance the strategic plan.

As Figure 10-1 shows, performance management links strategy to results. However, just having a strategic plan does not guarantee that results will be achieved. Strategies must be translated into department- or unit-level actions. Then these actions must be assigned to individuals who are then held accountable for their accomplishment.

Performance management is often confused with one of its key components—performance appraisal. **Performance management** is a series of activities designed to ensure that the organization gets the performance it needs from its employees. **Performance appraisal** is the process of determining how well employees do their jobs relative to a standard and communicating that information to them. Performance appraisal is a part of performance management rather than its entirety.[5]

At a minimum, a performance management system should do the following:

Performance management
Series of activities designed to ensure that the organization gets the performance it needs from its employees.

Performance appraisal
Process of determining how well employees do their jobs relative to a standard and communicating that information to them.

- Make clear what the organization expects.
- Document performance for personnel records.
- Identify areas of success and needed development.
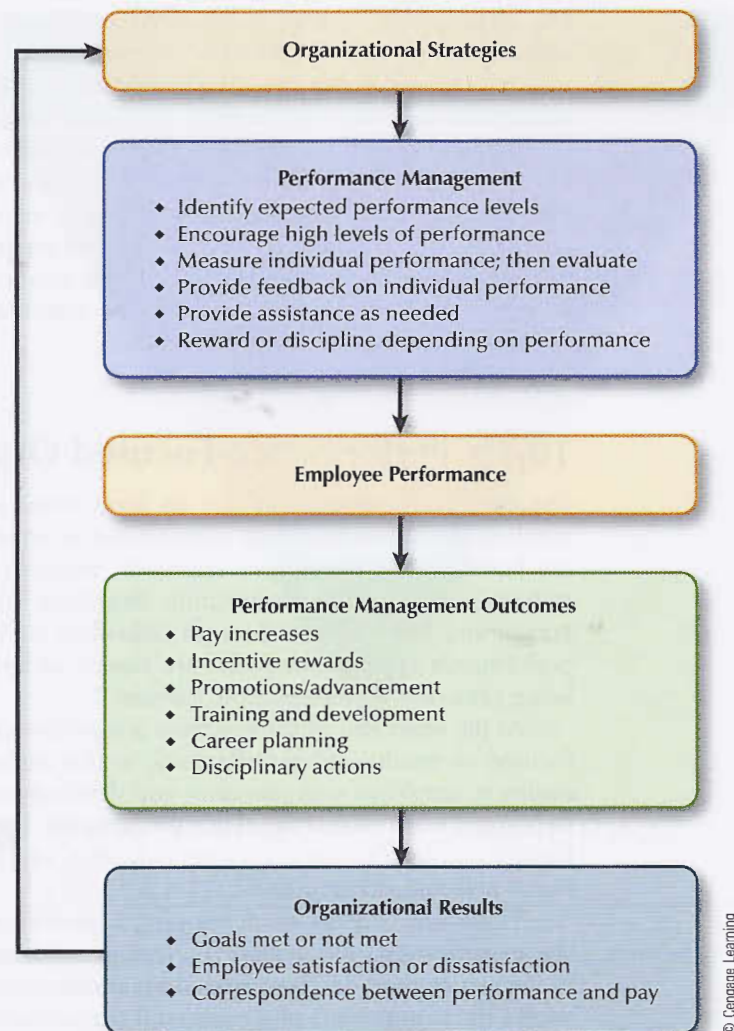- Provide performance information to employees.

A successful performance management system allows managers to better prepare employees for their work responsibilities by focusing on the most important components of these activities.[6] For example, in one company employees are rated on standardized job criteria by their supervisor, but they also complete self-evaluations. They are given the supervisor's completed evaluation forms several days ahead of appraisal meetings to consider the ratings. "Performance agreements" that follow explicitly connect the individual actions to corporate goals,

FIGURE 10-1 Performance Management Linkage

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┌─────────────────────────────────────────────────┐
│             Organizational Strategies              │
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                        ▼
┌─────────────────────────────────────────────────┐
│             Performance Management                 │
│   ◆ Identify expected performance levels           │
│   ◆ Encourage high levels of performance           │
│   ◆ Measure individual performance; then evaluate  │
│   ◆ Provide feedback on individual performance     │
│   ◆ Provide assistance as needed                   │
│   ◆ Reward or discipline depending on performance  │
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│              Employee Performance                  │
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│          Performance Management Outcomes           │
│   ◆ Pay increases                                  │
│   ◆ Incentive rewards                              │
│   ◆ Promotions/advancement                         │
│   ◆ Training and development                       │
│   ◆ Career planning                                │
│   ◆ Disciplinary actions                           │
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│              Organizational Results                │
│   ◆ Goals met or not met                           │
│   ◆ Employee satisfaction or dissatisfaction       │
│   ◆ Correspondence between performance and pay     │
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and the communication involved in forging those agreements ensures that managers and employees understand important performance issues.

10-1a Global Cultural Differences in Performance Management

Performance management and appraisals are very common in the United States and some other countries. However, it can be challenging to institute U.S. practices in countries that have dissimilar cultures.

In some countries and cultures, it is uncommon for managers to rate employees or to give direct feedback, particularly if some points are negative. For instance, in several countries, including China and Japan, there is great respect for authority

and age. Consequently, expecting younger subordinates to engage in joint discussions with their managers through a performance appraisal process is uncommon. Use of programs such as multisource/360-degree feedback (discussed later in this chapter) would also be culturally unusual.[7]

In some other cultures, employees may view criticism from superiors as personally devastating rather than as useful feedback that highlights individual training and development needs. Therefore, many managers do not provide feedback, and employees do not expect it. "Cultural customs" associated with formal meetings may need to be observed. For example, in some Eastern European countries, it is common to have coffee and pastries or an alcoholic drink before beginning any formal discussion. These examples illustrate that performance management processes may need to be adapted or changed in different global settings.[8]

10-1b Performance-Focused Organizational Cultures

Organizational cultures can vary on many dimensions, and one of these differences involves the degree to which performance is emphasized. Some corporate cultures are based on an *entitlement* approach, meaning that *adequate* performance and stability dominate the organization. Employee rewards vary little from person to person and have little to do with individual performance differences. As a result, performance appraisal activities are viewed as having few ties to performance and being primarily a "bureaucratic exercise."

At the other end of the spectrum is a *performance-driven* organizational culture focused on results and contributions. In this context, performance evaluations link results to employee compensation and development.[9] This approach is particularly important when evaluating CEO performance because companies should hold top leaders accountable for corporate outcomes and motivate them to improve operational and financial results.

There are benefits to developing a performance-focused culture throughout the organization. Firms with performance-focused cultures have more positive performance than do those with a maintenance-orientation culture.[10] Figure 10-2 shows the components of a successful performance-focused culture, which usually means pay depends on performance. However, a pay-for-performance approach can present several challenges to organizations. For example, in educational institutions which usually have an entitlement philosophy teacher pay-for-performance plans are seen as creating inequity, if some teachers get bonuses and others receive no extra compensation. Tying bonuses to criteria such as students' performance on tests/ achievement, teaching evaluations, and professional growth has been met with harsh criticism.

Despite these issues, it appears that a performance-based-pay culture is desirable. It is sometimes argued that companies are not doing enough about poor performers, and that failure to deal with poor performance is unfair to those who work hard. In one financial services company, a new CEO instituted a performance system that gave star performers raises as high as 20% and poor performers nothing. The tougher performance system encouraged poor performers to leave the company voluntarily, increased the performance of many other employees, and enhanced company profitability. Successfully managing performance can change behavior for the better.[11]

FIGURE 10-2 Components of a Performance-Focused Culture

Clear Expectations, Goals, and Deadlines

Detailed Appraisal of Employee Performance

Clear Feedback on Performance

Manager and Employee
Training as Needed

Consequences
for
Performance
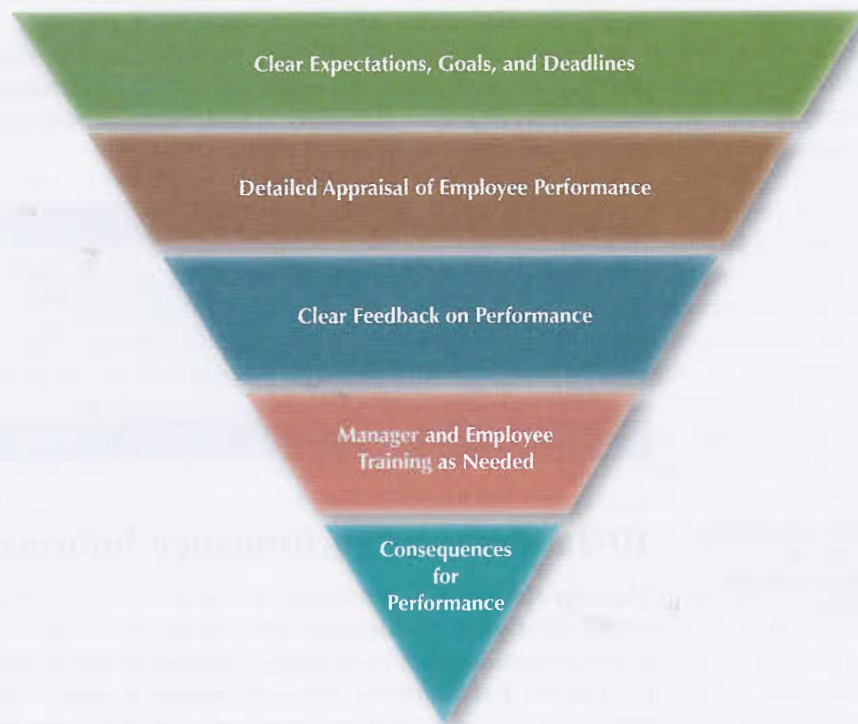
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10-2 ■ IDENTIFYING AND MEASURING EMPLOYEE PERFORMANCE

Performance criteria vary from job to job, but common employee performance measures include the following:

- Quantity of output
- Quality of output
- Timeliness of output
- Presence/attendance on the job
- Efficiency of work completed
- Effectiveness of work completed

Job duties
Identify the important
elements in a given job.

Specific **job duties** from a job description should identify the important elements in a given job. It is useful for managers and employees to discuss job duties and agree on their relative importance although such agreement is not always emphasized.[12] Job duties define what the organization pays employees to do. Therefore, the performance of individuals on their job duties should be measured and compared against appropriate standards, and the results should be communicated to the employee.

Multiple job duties are the rule rather than the exception in most jobs. An individual might demonstrate better performance on some duties than others, and some duties might be more important than others to the organization. For example, professors are broadly required to conduct research, teach classes, and provide service

to important university stakeholders. Some professors may focus heavily on one area of work over the others, which can cause performance management issues if their universities value all parts of the job equally.

Weights can be used to show the relative importance of different duties in a job. For example, in a management job at a company that wants to improve customer feedback, control operational costs, and encourage quality improvements, weights might be assigned as follows:

Weighting of Management Duties at Sample Firm	Weight
Improve customer feedback	50%
Control operational costs	30%
Encourage quality improvements	20%
Total Management Performance	**100%**

10-2a Types of Performance Information

Managers can use three different types of information about employee performance, as Figure 10-3 shows. *Trait-based information* identifies a character trait of the employee, such as attitude, initiative, or creativity, and may or may not be job related. For example, conscientiousness is often found to be a trait that is an important determinant of job performance. Yet traits tend to be ambiguous, and biases of raters can affect how traits are viewed, so court decisions generally have held that trait-based performance appraisals are too vague to use when making HR decisions such as promotions or terminations. Also, focusing too much on trait characteristics such as "potential" can lead managers to ignore important behaviors and outcomes.

Behavior-based information focuses on specific behaviors that lead to job success. For a waitperson, the behavior "menu up-selling" can be observed and used as

FIGURE 10-3 Types of Performance Information

Trait-Based Information
- Attitude
- Teamwork
- Initiative
- Creativity
- Values
- Dispositions

Behavior-Based Information
- Customer satisfaction
- Verbal persuasion
- Timeliness of response
- Citizenship/ethics
- Effective communication

Results-Based Information
- Sales volume
- Cost reduction
- Units produced
- Improved quality

Less Useful　　　　　　　　　　　　　　　　More Useful

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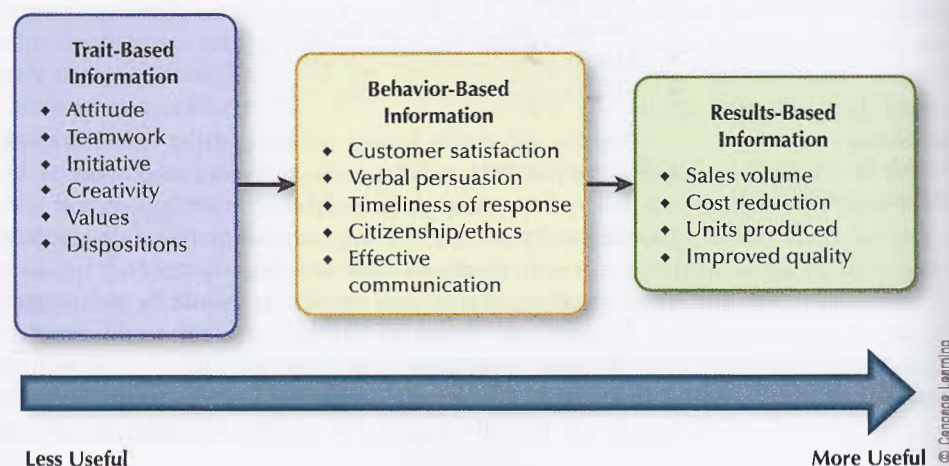
performance information. Additionally, an HR Director who institutes an "open-door policy" behaves in a manner that may increase communication with employees. Behavioral information can specify the behaviors management expects employees to exhibit. A potential problem arises when any of several behaviors can lead to successful performance, and employees rely on different behaviors to complete work. For example, one salesperson might successfully use one verbal persuasion strategy with customers, while another salesperson might use another successfully because no one approach can be utilized effectively by all individuals.

Results-based information considers employee accomplishments. For jobs in which measurement is easy and obvious, a results-based approach works well. For instance, a professor might receive extra compensation for securing grants or publishing papers in certain academic journals, or a salesperson in a retail outlet might receive extra commission pay based on how many products are sold. However, in this approach, that which is measured tends to be emphasized, which may leave out equally important but difficult-to-measure parts of work.[13] For example, a car salesperson who gets paid *only* for sales may be unwilling to do paperwork and other work not directly related to selling cars. Further, ethical or legal issues may arise when only results are emphasized, and *how* the results were achieved is not considered, so care should be taken to balance the different types of information.[14]

Performance measures can be viewed as objective or subjective. The *objective measures* can be observed—for example, the number of cars sold or the number of invoices processed can be counted. *Subjective measures* require judgment on the part of the evaluator and are more difficult to determine. One example of a subjective measure is a supervisor's ratings of an employee's "attitude," which typically cannot be viewed directly. Consequently, subjective measures should be used carefully.[15]

10-2b Performance Standards

Performance standards
Define the expected levels of employee performance.

Performance standards define the expected levels of employee performance. Sometimes they are labeled *benchmarks*, *goals*, or *targets*—depending on the approach taken. Realistic, measurable, clearly understood performance standards benefit both organizations and employees. Performance standards define how satisfactory job performance is defined, so performance standards should be established *before* work is performed. Well-defined standards ensure that everyone involved knows the performance expectations.

Both numerical and nonnumerical standards can be established. Sales quotas and production output are familiar numerical performance standards. A standard of performance can also be based on nonnumerical criteria. Assessing whether someone has met a performance standard, especially a nonnumerical one, can be difficult, but can be done. For example, how would you measure someone's ability to speak a foreign language before the person is sent overseas? Figure 10-4 lists performance standards that facilitate such measurement and make assessing a person's performance level, even though this is nonnumerical performance, much more accurate.

To make sure performance standards are applied uniformly, many organizations "calibrate" performances. Calibrating is often a group review conducted by managers to discuss the reasons behind each employee's rating. Ratings can be adjusted up or down by the group to ensure the ratings reflect similar performance standards.[16] This process can increase inter-rates reliability.

FIGURE 10-4 ACTFL Performance Standards for Speaking Proficiency

Performance Level	Demonstrated Ability
Superior	• Participated fully in conversations relating to needs and professional interests • Discusses topics both concretely and abstractly • Can deal effectively with unfamiliar speaking situations
Intermediate	• Can participate in simple conversations on predictable topics • Can satisfy simple needs to survive in the language's culture • Can ask and answer questions
Novice	• Can respond to simple questions • Can convey minimal meaning by using isolated words or memorized phrases • Can satisfy a limited number of immediate needs

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10-2c Performance Metrics in Service Businesses

MEASURE

Measuring service performance is difficult because services are often very individualized for customers, there is typically great variation in the services that can be offered, and quality is somewhat subjective. Yet the performance of people in service jobs is commonly evaluated with the basic productivity measures used in the industry. Some of the most useful sources of performance differences among managers in service businesses are as follows:

• Regional differences in labor costs
• Service agreement differences
• Equipment/infrastructure differences
• Work volume

On an individual level, common measures might include cost per employee, incidents per employee per day, number of calls per product, cost per call, sources of demand for services, and service calls per day. Once managers have determined appropriate measures of the service variance in their company, they can deal with waste and service delivery. *Performance that is measured can be managed.*[17]

10-3 ■ PERFORMANCE APPRAISALS

Performance appraisals are used to assess an employee's performance and provide a platform for feedback about past, current, and future performance expectations. Several terms can be used when referring to performance appraisals. These include *employee rating, employee evaluation, performance review, performance evaluation,* or *results appraisal.*

Performance appraisals are widely used for administering wages and salaries and identifying individual employee strengths and weaknesses. Most U.S. employers

use performance appraisals for office, professional, technical, supervisory, middle management, and nonunion production workers, and there are many reasons for this widespread use. Performance appraisals can provide answers to a wide array of work-related questions, and by communicating a road map for success, poor performance can sometimes be improved. Even after a positive appraisal, employees benefit if the feedback helped them to determine how to improve job performance. In addition, even though an employer may not need a reason to terminate an employee, appraisals can provide justification for such actions should that become necessary.

But a gap may exist between actual job performance and the way it is rated. Poorly done performance appraisals lead to disappointing results for all concerned, and there is reason to believe that evaluations can cause bad feelings and damaged relationships if not managed well.[18] Some believe that performance evaluations are an unnecessary part of work because of vague rating standards, self-interest, and/or deception on the part of rating managers.[19] Indeed, performance reviews can be politically oriented and highly subjective in nature, which will adversely impact the relationships between managers and their employees. However, having no formal performance appraisal can weaken discipline and harm an employee's ability to improve, and well done appraisals are entirely possible. See the HR Perspective: Making Appraisals Work at Hilton Worldwide.

HR PERSPECTIVE

Making Appraisals Work at Hilton Worldwide

The new chief HR officer at Hilton Worldwide found he had to create a performance management system from scratch when he arrived. Performance appraisals varied greatly, if they existed at all. In many companies (including Hilton), the performance management process is needlessly complex, is not connected to business goals, and is hated by managers and employees alike.

The fundamentals of performance management should be simple, reflected Matt Schuyler, the new CHRO at Hilton. Employees agree to goals at the start of the year, supervisors assess their progress at the end of the cycle, a good conversation is had on how the employee is doing, and rewards are based on whether the goals were met. Fixing the overly complex process involves going back to the basics.

At Hilton, managers and employees now set objectives at the beginning of the year and check mid-way to see how things are going. The system documents individual accomplishments so there are no surprises during the evaluation. The "mid-year check in" is designed to encourage continuous feedback over the rating period. The idea of keeping things simple, focusing on the conversation, and emphasizing two-way communication has been positive because satisfaction with the performance management process increased by 37% in an employee survey. "The goal of performance management is to give you feedback so you can get better, not to damage you or make you feel bad," says Schuyler.[20]

ETHICS

10-3a Performance Appraisals and Ethics

Performance appraisals may or may not focus on the ethics with which a manager performs his or her job. Managers may be expected to take an active role in managing ethics in their area of responsibility but often do not understand the process. Many companies do not have a program to develop awareness of ethics and some have no policies at all regarding ethical behavior. Yet discussing ethics in performance appraisals is one way to emphasize it. Codes of conduct can provide useful company guidelines on ethical behavior, training can teach important workplace ethical values, and communication of ethical approaches to reoccurring workplace problems can help promote an ethical culture. But rewarding ethical behavior and punishing undesirable behavior are also reasonable approaches for improving ethical practices in an organization. Doing so requires including ethics in performance measurement.

A recent study of the relationship between ethics and performance appraisals found that the amount of time spent doing performance appraisals affected the incidence of ethical issues in the process.[21] More time spent means a greater likelihood that ethical issues would be discussed. Managers doing performance appraisals should have objectives for the evaluations and be held accountable to make sure they dedicate enough time to do the appraisals well. Training managers on performance appraisal and the ethical components of the process are most likely to be successful in improving the problems. HR can monitor the process for specific results.
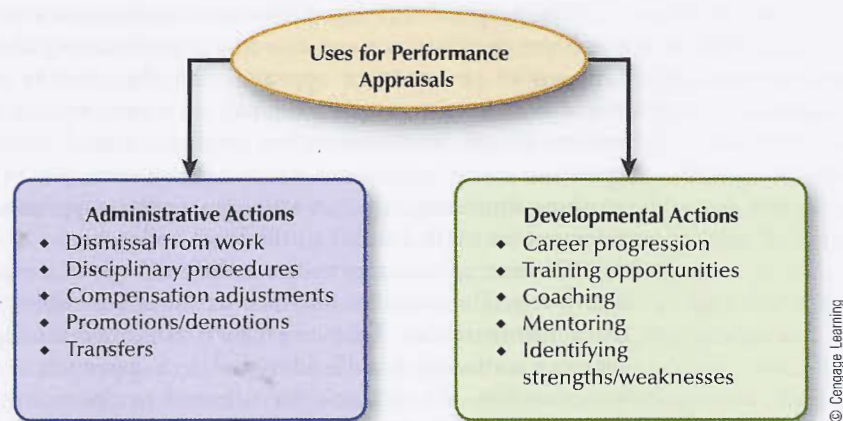
10-3b Uses of Performance Appraisals

L03 Explain the differences between administrative and developmental uses of performance appraisal.

Organizations generally use performance appraisals in two potentially conflicting ways. One use is to provide a measure of performance for consideration in making pay or other administrative decisions about employees. This *administrative* role often creates stress for managers doing the appraisals and the employees being evaluated because the rater is placed in the role of judge. The other use focuses on the *development* of individuals.[22] In this role, the manager acts more as a counselor and coach than as a judge. The developmental performance appraisal emphasizes current training and development needs, as well as planning employees' future opportunities and career directions. Whether a performance appraisal is to be used in an administrative capacity or as a developmental tool affects several aspects of the process.[23] Figure 10-5 shows both uses for performance appraisals.

Administrative Uses of Appraisals Three administrative uses of appraisal impact managers and employees the most: (1) determining pay adjustments; (2) making job placement decisions on promotions, transfers, and demotions; and (3) choosing employee disciplinary actions up to and including termination of employment.

A performance appraisal system is often the link between employee job performance and the additional pay and rewards that they can receive. Performance-based compensation affirms the idea that pay raises are given for performance accomplishments rather than for length of service (seniority), or granted automatically to all employees at the same percentage levels. In pay-for-performance compensation systems, managers have evaluated the performance of individuals and have made compensation recommendations. If any part of the appraisal process fails, better-performing employees may not receive larger pay increases, and the result is perceived inequity in compensation.

FIGURE 10-5 Uses for Performance Appraisals

Many U.S. workers say that they see little connection between their performance and the size of their pay increases due to flaws in performance appraisals. Consequently, people argue that performance appraisals and pay discussions should be done separately. Two realities support this view. One is that employees often focus more on the pay received than on the developmental appraisal feedback. The other is that managers sometimes manipulate ratings to justify the pay they wish to give individuals. As a result, many employees view the appraisal process as a game because compensation increases have been predetermined before the appraisal is completed.

To address these issues, managers can first conduct performance appraisals and discuss the results with employees, and then several weeks later hold a shorter meeting to discuss pay issues. For example, one company created different performance appraisal and compensation forms that are considered separately at different times. By adopting such an approach, the results of the performance appraisal can be considered before the amount of the pay adjustment is determined. Also, the performance appraisal discussions between managers and employees can focus on issues for improvement—not just pay raises.

Employers are obviously interested in the administrative uses of performance appraisals such as decisions about promotions, terminations, layoffs, and transfer assignments. Promotions and demotions based on performance must be documented through performance appraisals; otherwise, legal problems can occur.[24]

Developmental Uses of Appraisals For employees, a performance appraisal can be a primary source of information and feedback. By identifying employee strengths, weaknesses, potentials, and training needs through performance appraisal feedback, supervisors can inform employees about their progress, discuss areas in which additional training may be beneficial, and outline future developmental plans.[25]

It is clear that employees do not always know where and how to perform better, and managers should not expect improvement if they are unwilling to provide developmental feedback. Many firms, such as the diesel engine parts distributor Cummins Mid-South LLC, are combining performance management and learning management processes with technological support programs

that prompt more effective evaluations, increased employee development, and reduced turnover.[26]

The purpose of giving feedback on performance is to both reinforce satisfactory employee performance and to address performance deficiencies. The developmental function of performance appraisal can also identify areas in which the employee might wish to grow. For example, in a performance appraisal interview targeted exclusively to development, an employee found out that the only factor keeping her from being considered for a management job in her firm was the lack of a working knowledge of cost accounting. Her supervisor suggested that she consider taking some night courses at the local college.

The use of teams provides a different set of circumstances for developmental appraisals. The manager may not see all of an employee's work, but the employee's team members do. Team members can provide important feedback. However, whether teams can handle administrative appraisals is still subject to debate; clearly some cannot. When teams are allowed to design appraisal systems, they tend to "get rid of judgment" and avoid differential rewards. Thus, group appraisal may be best suited for developmental rather than administrative purposes.

10-3c Decisions about the Performance Appraisal Process

A number of decisions must be made when designing performance appraisal systems. Some important ones involve identifying the appraisal responsibilities of the HR unit and of the operating managers, selecting the type of appraisal system to use, and establishing the timing of appraisals.

Appraisal Responsibilities If done properly, the appraisal process can benefit both the organization and the employees. As Figure 10-6 shows, the HR unit typically designs a performance appraisal system. Managers then appraise employees using the appraisal system. During development of the formal appraisal system, managers usually offer input about how the final system will work.

It is important for managers to understand that appraisals are *their* responsibility. Through the appraisal process, good employee performance can be made even better, poor employee performance can be improved, and poor performers can be removed from the organization. Performance appraisal must not simply be an HR requirement but should also be an important management process because guiding employees' performance is among the most important responsibilities a manager has.

FIGURE 10-6 Typical Division of HR Responsibilities: Performance Appraisal

HR Unit	Managers
• Design and maintains appraisal system • Trains raters • Track timely receipt of appraisals • Review completed appraisals for consistency	• Typically rate performance of employees • Prepare formal appraisal documents • Review appraisals with employees • Identify development areas

Type of Appraisals: Informal versus Systematic Performance appraisals can occur in two ways: informally and/or systematically. A supervisor conducts an *informal appraisal* whenever necessary. The day-to-day working relationship between a manager and an employee offers an opportunity for the evaluation of individual performance. A manager communicates this evaluation through various conversations on or off the job, or by on-the-spot discussion of a specific occurrence. Although such informal feedback is useful and necessary, it should not replace formal appraisal.

Frequent informal feedback to employees can prevent surprises during a formal performance review. However, informal appraisal can become *too* informal. For example, a senior executive at a large firm so dreaded face-to-face evaluations that he delivered one manager's review while both sat in adjoining stalls in the men's room.

A *systematic appraisal* is used when the contact between a manager and employee is more formal, and a system is in place to report managerial impressions and observations on employee performance. This approach to appraisals is quite common. Systematic appraisals feature a regular time interval, which distinguishes them from informal appraisals. Both employees and managers know that performance will be reviewed on a regular basis, and they can plan for performance discussions.

Timing of Appraisals Most companies require managers to conduct appraisals once or twice a year, most often annually. Employees commonly receive an appraisal 60 to 90 days after hiring, again at 6 months, and annually thereafter. *Probationary* or *introductory employees*, who are new and in a trial period, should be informally evaluated often—perhaps weekly for the first month, and monthly thereafter until the end of the introductory period. After that, annual reviews are typical. For employees in high demand, some employers use accelerated appraisals—every six months instead of every year. This is done to retain those employees since more feedback can be given and pay raises may occur more often. Meeting more frequently with employees may enhance individual performance. For instance, one company requires managers to meet with employees on a quarterly basis, but because some employees wanted even more feedback, managers scheduled meetings every few weeks.

10-3d Legal Concerns and Performance Appraisals

Since appraisals are supposed to measure how well employees are doing their jobs, it may seem unnecessary to emphasize that performance appraisals must be job related. However, it is important for evaluations to adequately reflect the nature of work performed. Companies need to have appraisal systems that satisfy the courts, as well as performance management needs. The HR Skills and Applications: Elements of a Legal Performance Appraisal System shows the elements to consider.

10-4 ■ WHO CONDUCTS APPRAISALS?

Performance appraisals can be conducted by anyone familiar with the performance of individual employees. Possible rating situations include the following:

- Supervisors rating their employees
- Employees rating their superiors
- Team members rating each other
- Employees rating themselves
- Outside sources rating employees
- A variety of parties providing multisource, or 360-degree, feedback

HR SKILLS AND APPLICATIONS

Elements of a Legal Performance Appraisal System

The elements of a performance appraisal system that can survive court tests can be determined from existing case law. It is generally agreed that a legally defensible performance appraisal should include the following:

- Performance appraisal criteria based on job analysis
- Absence of disparate impact
- Formal evaluation criteria that limit managerial discretion
- A rating instrument linked to job duties and responsibilities

- Documentation of the appraisal activities
- Personal knowledge of and contact with each appraised individual
- Training of supervisors in conducting appraisals
- A review process that prevents one manager, acting alone, from controlling an employee's career
- Counseling to help poor performers improve

Of course, having all these components is no guarantee against lawsuits. However, including them does improve the chance of winning lawsuits that might be filed.

10-4a Supervisory Rating of Subordinates

The most widely used means of rating employees is based on the assumption that the immediate supervisor is the person most qualified to evaluate an employee's performance realistically and fairly. To help provide accurate evaluations, some supervisors keep records of employees performance so that they can reference these notes when rating performance. For instance, a sales manager might periodically observe a salesperson's interactions with clients and make notes so that constructive performance feedback can be provided at a later date. Training supervisors to do observation and evaluation well improves the process.[27]

10-4b Employee Rating of Managers

A number of organizations ask employees to rate the performance of their immediate managers. A variation of this type of rating takes place in colleges and universities, where students evaluate the teaching effectiveness of professors in the classroom. Another example is an Indian firm, which requires employees to rate their bosses as part of a multisource review process. All evaluations are then posted on the company's intranet. These performance appraisal ratings are generally used for management development purposes.

Having employees rate managers provides three primary advantages. First, in critical manager–employee relationships, employee ratings can be quite useful for identifying competent managers. The rating of leaders by combat soldiers is one example of such a use. Second, this type of rating program can help make a manager more responsive to employees. This advantage can quickly become a disadvantage if the manager focuses on being "nice" rather than on managing; people who are pleasant, but have no other qualifications may not be good managers in

many situations. Finally, employee appraisals can contribute to career development efforts for managers by identifying areas for growth.

A major disadvantage of having employees rate managers is the negative reaction many have to being evaluated by employees. Also, the fear of reprisals may be too great for employees to give realistic ratings. This may prompt workers to rate their managers based solely on the way they are treated rather than on critical job requirements. The problems associated with this appraisal approach limit its usefulness to certain situations, including managerial development and improvement efforts.[28]

10-4c Team/Peer Rating

Having employees and team members rate each other is another type of appraisal with the potential to both help and hurt. Peer and team ratings are especially useful when supervisors do not have the opportunity to observe each employee's performance, but work group members do. For instance, some of the advanced training programs in the U.S. military use peer ratings to provide candidates extensive feedback about their leadership qualities and accomplishments. Peer evaluations are also common in collegiate schools of business where professors commonly require students to conduct peer evaluations after the completion of group-based projects. One challenge of this approach is obtaining ratings for virtual or global teams, in which the individuals work primarily through technology, not in person (i.e., an online college class). Another challenge is obtaining ratings from and for individuals who are on many special project teams throughout the year.

It is possible that any performance appraisal, including team/peer ratings, can negatively affect teamwork and participative management efforts. Although team members have good information on one another's performance, they may not choose to share it in the interest of sparing feelings; alternatively, they may unfairly attack other group members. Some organizations attempt to overcome such problems by using anonymous appraisals and/or having a consultant or HR manager interpret team/peer ratings.

10-4d Self-Rating

Self-appraisal works in certain situations.[29] As a self-development tool, it requires employees to think about their strengths and weaknesses and set goals for improvement.[30] Employees working in isolation or possessing unique skills may be particularly suited for self-ratings because they are the only ones qualified to rate themselves. Overall, the use of self-appraisals in organizations has increased. For instance, one organization successfully incorporated self-ratings into a traditional rating approach that did not generate enough dialogue and direction for individual development; reactions from both workers and supervisors were favorable.

However, employees may use quite different standards and not rate themselves in the same manner as supervisors. Research exploring whether people might be more lenient or more demanding when rating themselves is mixed, with self-ratings being frequently higher than supervisory ratings. Still, employee self-ratings can be a useful source of performance information for development.[31]

10-4e Outsider Rating

People outside the immediate work group may be asked to participate in performance reviews. This "field review" approach can include someone from the HR department as a reviewer, or completely independent reviewers from outside the organization. Examples include a review team evaluating a college president or a panel of division managers evaluating a supervisor's potential for advancement in the company. A disadvantage of this approach is that outsiders may not know the important demands within the work group or organization.

The customers or clients of an organization are good sources for outside appraisals. For sales and service jobs, customers may provide useful input on the performance behaviors of employees. For instance, many hospitality organizations such as restaurants and hotels use customer comments cards or secret shoppers to gather feedback about the service provided by customer contact personnel, and this information is commonly used for job development purposes.

L04 Describe the advantages and disadvantages of multisource (360-degree) appraisals.

10-4f Multisource/360-Degree Rating

Multisource rating, or 360-degree feedback, has grown in popularity. Multisource feedback recognizes that for many jobs, employee performance is multidimensional and crosses departmental, organizational, and even national boundaries. Therefore, information needs to be collected from many sources to adequately and fairly evaluate an incumbent's performance in one of these jobs.[32]

The major purpose of 360-degree feedback is *not* to increase uniformity by soliciting like-minded views. Instead, it is designed to capture evaluations of the employee's different roles to provide richer feedback during an evaluation. Figure 10-7 shows some of the parties who can be involved in 360-degree feedback. For example, an HR manager for an insurance firm deals with seven regional sales managers, HR

FIGURE 10-7 Multisource Appraisal
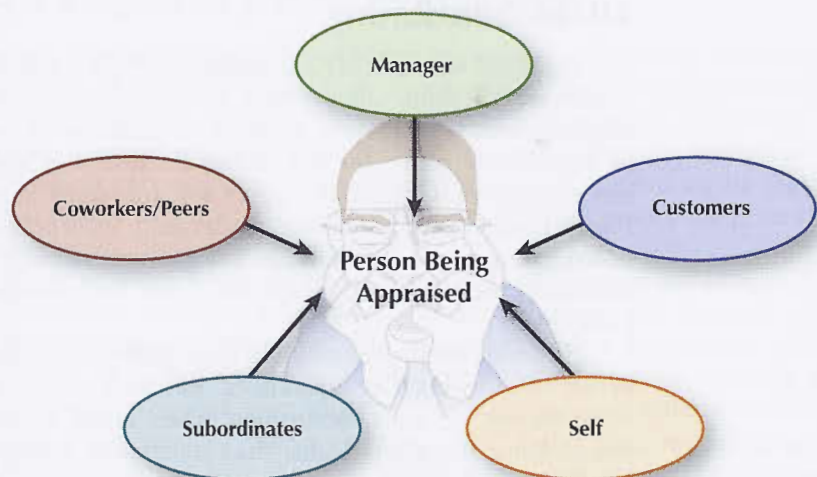
administrators in five claims centers, and various corporate executives in finance, legal, and information technology. The Vice President of HR uses 360-degree feedback to gather data on all facets of the HR manager's job before completing a performance appraisal on the individual. Similar examples can be cited in numerous managerial, professional, technical, operational, and administrative jobs.

Significant administrative time and paperwork are required to request, obtain, and summarize feedback from multiple raters. Using electronic systems for the information can greatly reduce the administrative demands of multisource ratings and increase the effectiveness (i.e., privacy and expediency) of the process.

Developmental Use of Multisource Feedback As originally designed and used, multisource feedback focuses on the use of appraisals for the development of individuals. Conflict resolution skills, decision-making abilities, team effectiveness, communication skills, managerial styles, and technical capabilities are just some of the developmental areas that can be evaluated. It is widely believed that 360-degree feedback is more useful in a personal growth system than in an administrative system, although more use is appearing in administrative systems.[33]

Administrative Use of Multisource Feedback The popularity of 360-degree feedback systems has led to the results being used for compensation, promotion, termination, and other administrative decisions. When using 360-degree feedback for administrative purposes, managers must anticipate the potential problems.[34] Differences among raters can present a challenge, especially when using 360-degree ratings for discipline or pay decisions. Bias can just as easily be rooted in customers, subordinates, and peers as in a boss, and the lack of accountability of those sources can affect the ratings. "Inflation" of ratings is common when the sources know that their input will affect someone's pay or career. At one manufacturing firm, the apparent back scratching associated with multisource reviews led the company to drop the program. Also, issues of confidentiality and anonymity have led to lawsuits. Even though multisource approaches offer possible solutions to some of the well-documented dissatisfaction associated with performance appraisals, a number of other questions have arisen as multisource appraisals have become more common.

Evaluating Multisource Feedback Research on multisource/360-degree feedback has revealed both positives and negatives. More variability than expected may be seen in the ratings given by the different sources. Thus, supervisor ratings may need to carry more weight than peer or subordinate input to resolve the differences. One concern is that those peers who rate poor-performing coworkers tend to inflate the ratings so that the peers themselves can get higher overall evaluation results in return.

Another concern is whether 360-degree appraisals improve the process or simply multiply the number of problems by the number of raters.[35] Also, some wonder whether multisource appraisals really create sufficiently better decisions to offset the additional time and investment required. These issues appear to be less threatening when the 360-degree feedback is used *only for development*, so companies should consider using multisource feedback primarily as a developmental tool to enhance future job performance while minimizing the use of multisource appraisals as an administrative tool.

10-5 ■ TOOLS FOR APPRAISING PERFORMANCE

Performance can be appraised by a number of methods. Some employers use one method for all jobs and employees, some use different methods for different groups of employees, and others use a combination of methods.[36] The following discussion highlights different tools that can be used, as well as some of the advantages and disadvantages of each approach.

10-5a Category Scaling Methods

The simplest methods for appraising performance are category scaling methods, which require a manager to mark an employee's level of performance on a specific form divided into categories of performance. A *checklist* uses a list of statements or words from which raters check statements that are most representative of the characteristics and performance of employees. Often, a scale indicating perceived level of accomplishment on each statement is included with the checklist, which then becomes a type of graphic rating scale.

10-5b Graphic Rating Scales

Graphic rating scale
Scale that allows the rater to mark an employee's performance on a continuum.

The **graphic rating scale** allows the rater to mark an employee's performance on a continuum indicating low to high levels of a particular characteristic. Because of the straightforwardness of the process, graphic rating scales are common in performance evaluations. Figure 10-8 shows a sample appraisal form that combines graphic rating scales with essays. Three aspects of performance can be appraised using graphic rating scales: *descriptive categories* (such as quantity of work, attendance, and dependability), *job duties* (taken from the job description), and *behavioral dimensions* (such as decision making, employee development, and communication effectiveness).

Each of these types can be used for different jobs. How well employees meet established standards is often expressed either numerically (e.g., 5, 4, 3, 2, 1) or verbally (e.g., "outstanding," "meets standards," "below standards"). If two or more people are involved in the rating, they may find it difficult to agree on the exact level of performance achieved relative to the standard in evaluating employee performance. Notice that each level specifies performance standards or expectations to reduce variation in interpretations of the standards by different supervisors and employees.

Concerns with Graphic Rating Scales Graphic rating scales in many forms are widely used because they are easy to develop and provide a uniform set of criteria to evaluate the job performance of different employees. However, the use of scales can cause rater error because the form might not accurately reflect the relative importance of certain job characteristics, and some factors might need to be added to the ratings for one employee, while others might need to be dropped. If they fit the person and the job, the scales work well. However, if they fit poorly, managers and employees who must use them might complain about "the rating form."

Another concern is that regardless of the scales used, the focus should be on the job duties and responsibilities identified in job descriptions. The closer the link between the scales and what people actually do, as identified in current and complete job descriptions, the stronger the relationship between the ratings

FIGURE 10-8 Sample Performance Appraisal Form

Date sent: 4/19/14   Return by: 5/01/2014
Name: Joe Hernandez   Job title: Receiving Clerk
Department: Receiving   Supervisor: Marian Williams
Employment status (check one): Full-time __X__ Part-time _____   Date of hire: 5/12/02
Rating period: From: 4/30/13   To: 4/30/14
Reason for appraisal (check one): Regular interval __X__   Introductory ____   Counseling only ____   Discharge ____

Using the following definitions, rate the performance as I, M, or E.
I—Performance is below job requirements and **improvement is needed.**
M—Performance **meets** job requirements and standards.
E—Performance **exceeds** job requirements and standards **most** of the time.

SPECIFIC JOB RESPONSIBILITIES: List the prinicipal activities from the job summary, rate the performance on each job duty by placing an X on the rating scale at the appropriate location, and make appropriate comments to explain the rating.

I ——————————————— M ——————————————— E

Job Duty #1: Inventory receiving and checking
Explanation: _____
_____

I ——————————————— M ——————————————— E

Job Duty #2: Accurate record keeping
Explanation: _____
_____

I ——————————————— M ——————————————— E

Attendance (including absences and tardies):   Number of absences ____   Number of tardies ____
Explanation: _____

Overall rating: In the box provided, place the letter—**I, M, or E**—that best describes the employee's overall performance.

Explanation: _____
_____

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and the job, as viewed by employees and managers. Also, should the performance appraisal results be challenged legally, the closer performance appraisals measure what people actually do, the more likely employers are to prevail in a lawsuit.

An additional drawback to graphic rating scales is that separate traits or factors are often grouped, and the rater is given only one box to check. For example, *dependability* could refer to meeting deadlines for reports, or it could refer to attendance and tardiness. If a supervisor gives an employee a rating of 3, which aspect of dependability is being rated? One supervisor might rate employees on meeting deadlines, while another rates employees on attendance.

Another drawback is that the descriptive words sometimes used in scales may have different meanings to different raters. Terms such as *initiative* and *cooperation* are subject to many interpretations, especially if used in conjunction with words such as *outstanding*, *average*, and *poor*. As Figure 10-9 shows, scale points can be defined carefully to minimize misinterpretation.

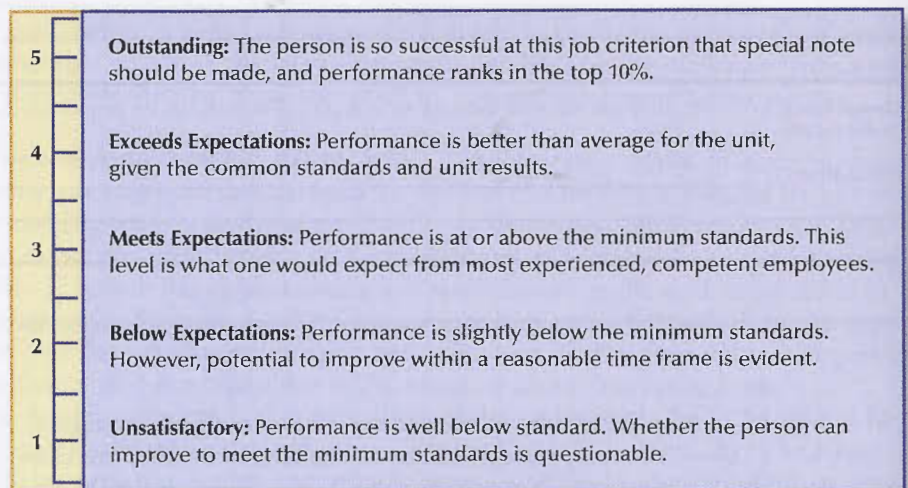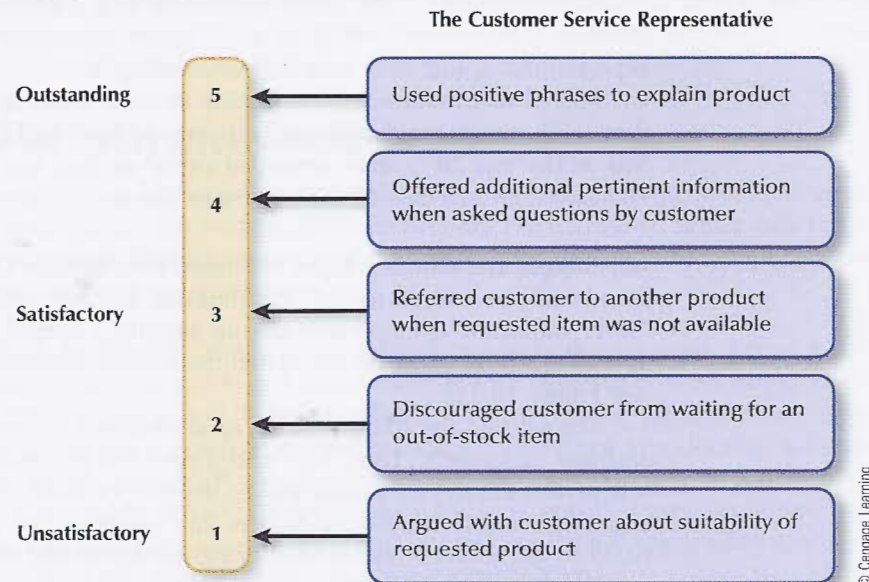**Behavioral Rating Scales** In an attempt to overcome some of the concerns with graphic rating scales, employers may use behavioral rating scales designed to assess individual actions instead of personal attributes and characteristics. Different approaches are used, but all describe specific examples of employee job behaviors. In a **behaviorally anchored rating scale** (BARS), these examples are "anchored" or measured against a scale of performance levels.

Behaviorally Anchored Rating Scale

Scales describe specific examples of job behavior, which are then measured against a performance scale.

When creating a BARS system, identifying important *job dimensions*, which are the most important performance factors in a job description, is done first. Short statements describe both desirable and undesirable behaviors (anchors). These are then "translated," or assigned, to one of the job dimensions. Anchor statements are usually developed by a group of people familiar with the job. The group then assigns each anchor a number that represents how effective or ineffective the behavior is, and the anchors are fitted to a scale. Figure 10-10 contains an example that rates customer service skills for individuals taking orders for a national catalog retailer. Spelling out the behaviors associated with each level of performance helps minimize some of the problems related to graphic rating scales.

Several problems are associated with the behavioral approach. First, creating and maintaining behaviorally anchored rating scales requires extensive time and

FIGURE 10-9 Sample Terms for Defining Standards

5 — **Outstanding:** The person is so successful at this job criterion that special note should be made, and performance ranks in the top 10%.

4 — **Exceeds Expectations:** Performance is better than average for the unit, given the common standards and unit results.

3 — **Meets Expectations:** Performance is at or above the minimum standards. This level is what one would expect from most experienced, competent employees.

2 — **Below Expectations:** Performance is slightly below the minimum standards. However, potential to improve within a reasonable time frame is evident.

1 — **Unsatisfactory:** Performance is well below standard. Whether the person can improve to meet the minimum standards is questionable.

FIGURE 10-10 Behaviorally Anchored Rating Scale for Customer Service Skills

The Customer Service Representative

Outstanding	5	Used positive phrases to explain product
	4	Offered additional pertinent information when asked questions by customer
Satisfactory	3	Referred customer to another product when requested item was not available
	2	Discouraged customer from waiting for an out-of-stock item
Unsatisfactory	1	Argued with customer about suitability of requested product

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effort. In addition, many appraisal forms are needed to accommodate different types of jobs in an organization. For instance, because nurses, dietitians, and admissions clerks in a hospital all have distinct job descriptions, a separate BARS form needs to be developed for each position.

10-5c Comparative Methods

Comparative methods require that managers directly compare the performance levels of their employees against one another, and these comparisons can provide useful information for performance management. An example of this process would be an information systems supervisor comparing the performance of one programmer with that of other programmers. Comparative techniques include ranking and forced distribution.

Ranking
Performance appraisal method in which all employees are listed from highest to lowest in performance.

Ranking The **ranking** method lists the individuals being rated from highest to lowest based on their performance levels and relative contributions. One disadvantage of this process is that the sizes of the performance differences between employees are often not clearly indicated. For example, the job performance of individuals ranked second and third may differ little, while the performance of those ranked third and fourth differ a great deal. This limitation can be mitigated to some extent by assigning points to indicate performance differences. Ranking also means someone must be last, which ignores the possibility that the last-ranked individual in one group might be equal to the top-ranked employee in a different group. Further, the ranking task becomes unwieldy if the group of employees to be ranked is large.

Forced distribution
Performance appraisal method in which ratings of employees' performance levels are distributed along a bell-shaped curve.

Forced Distribution Forced distribution is a technique for distributing ratings that are generated with any of the other appraisal methods and comparing the ratings of people in a work group. With the **forced distribution** method, the ratings of employees' performance may be distributed along a bell-shaped curve.[37]

For example, a medical clinic administrator ranking employees on a 5-point scale would have to rate 10% of the employees as a 1 ("unsatisfactory"), 20% as a 2 ("below expectations"), 40% as a 3 ("meets expectations"), 20% as a 4 ("above expectations"), and 10% as a 5 ("outstanding").
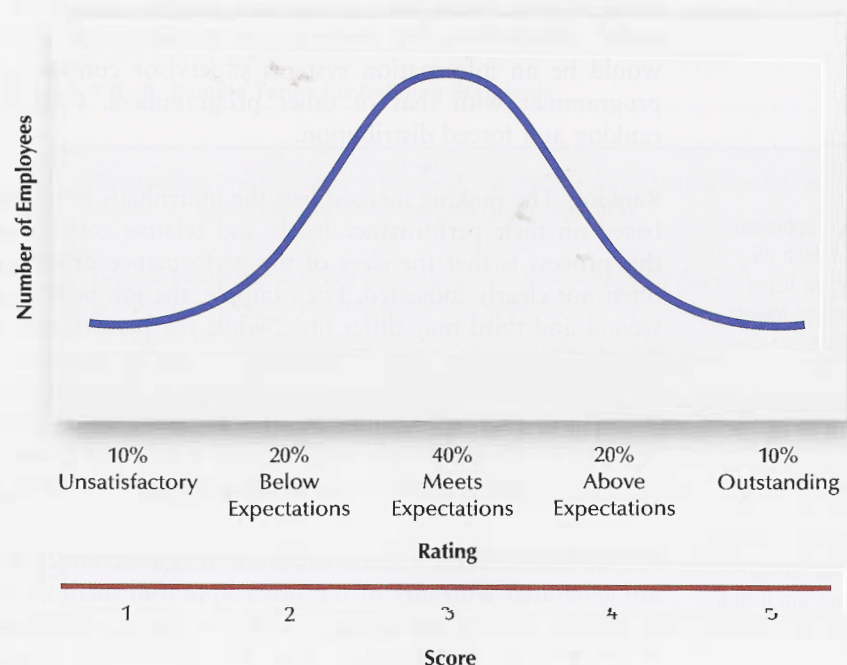
Forced distribution has been used in some form by an estimated 30% of all firms with performance appraisal systems. At General Electric, the managers identified as the top 20% were rewarded richly so that few would leave. The bottom 10% were given a chance to improve or leave.

Advantages and Disadvantages of Forced Distribution One reason why firms have mandated the use of forced distributions for appraisal ratings is to deal with "rater inflation." If employers do not require a forced distribution, performance appraisal ratings often do not match the normal distribution of a bell-shaped curve (see Figure 10-11).

The use of a forced distribution system forces managers to identify high, average, and low performers. Thus, high performers can be rewarded and developed, while low performers can be encouraged to improve or leave. Advocates of forced ranking argue that forced distribution ensures that compensation increases truly are differentiated by performance rather than being spread equally among all employees.

But the forced distribution method suffers from several drawbacks.[38] Perhaps in a truly exceptional group of employees there is not 10% who are unsatisfactory. Another one problem is that a supervisor may resist placing any individual in the lowest (or the highest) group. Difficulties also arise when the rater must explain to an employee why he or she was placed in one group while others were placed in higher groups. In some cases, the manager may make false distinctions between employees. By comparing people against each other, rather than against a standard of job performance, supervisors trying to fill the percentages may end up giving employees

FIGURE 10-11 Forced Distribution on a Bell-Shaped Curve

| 10% Unsatisfactory | 20% Below Expectations | 40% Meets Expectations | 20% Above Expectations | 10% Outstanding |

Rating

| 1 | 2 | 3 | 4 | 5 |

Score

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very subjective ratings.[39] Finally, forced ranking structures can increase anxiety in employees, promote conformity, and encourage gaming of the system. Consequently, a number of firms have been involved in lawsuits about forced distribution performance appraisal processes.

10-5d Narrative Methods

Managers may be required to provide written appraisal narratives. Some appraisal methods are entirely written, rather than using predetermined rating scales or ranking structures. Documentation and descriptive text are the basic components of the critical incident and essay methods.

Critical Incident In the critical incident method, the manager keeps a written record of both favorable and unfavorable actions performed by an employee during the entire rating period. When a critical incident involving an employee occurs, the manager writes it down. For instance, when a sales clerk at a clothing store spends considerable time with a customer helping him purchase a new suit, a manager might document this exceptional service for later review during an annual evaluation. The critical incident method can be used with other approaches to document the reasons why an employee was given a certain rating.

Essay The essay method requires a manager to write a short essay describing each employee's performance during the rating period. Some free-form essays are without guidelines; others are more structured, using prepared questions that must be answered. The rater usually categorizes comments under a few general headings. The essay method allows the rater more flexibility than other methods do, sometimes too much. As a result, appraisers often combine the essay with other methods.

The effectiveness of the essay approach often depends on a supervisor's writing and observation skills. Some supervisors do not express themselves well in writing and as a result produce poor descriptions of employee performance, whereas others have excellent writing skills and can create highly positive impressions of their employees. If well composed, essays can provide highly detailed and useful information about an employees' job performance.[40]

10-5e Management by Objectives

Management by objectives (MBO) specifies the performance goals that an individual and manager identify together. Goal setting has been extensively researched.[41] Each manager sets objectives derived from the overall goals and objectives of the organization; however, MBO should not be a disguised means for a superior to dictate the objectives of individual managers or employees. Other names for MBO include *appraisal by results*, *target coaching*, *work planning and review*, *performance objective setting*, and *mutual goal setting*.

MBO Process Implementing a guided self-appraisal system using MBO is a four-stage process. The stages are as follows:

1. *Job review and agreement*: The employee and the superior review the job description and the key activities that constitute the employee's job. The idea is to agree on the exact makeup of the job.
2. *Development of performance standards*: Together, the employee and his or her superior develop specific standards of performance and determine a satisfactory

Management by objectives (MBO)
Performance appraisal method that specifies the performance goals that an individual and manager identify together.

level of performance that is specific and measurable. For example, a quota of selling five cars a month may be an appropriate performance standard for a salesperson.

3. *Setting of objectives*: Together, the employee and the superior establish objectives that are realistically attainable.

4. *Continuing performance discussions*: The employee and the superior use the objectives as a basis for continuing discussions about the employee's performance. Although a formal review session may be scheduled, the employee and the supervisor do not necessarily wait until the appointed time to discuss performance. Objectives can be mutually modified as warranted.

The MBO process seems to be most useful with managerial personnel and employees who have a fairly wide range of flexibility and control over their jobs. When imposed on a rigid and autocratic management system, MBO will often fail. Emphasizing penalties for not meeting objectives defeats the development and participative nature of MBO.

10-5f Combinations of Methods

No single appraisal method is best for all situations, so a performance measurement system that uses a combination of methods may be sensible. Using combinations may offset some of the advantages and disadvantages of individual methods. Category scaling methods are easy to develop, but they usually do little to measure strategic accomplishments. Further, they may make inter-rater reliability problems worse. Comparative approaches help reduce leniency and other errors, which makes them useful for administrative decisions such as determining pay raises. But comparative approaches do a poor job of linking performance to organizational goals, and by themselves do not provide feedback for improvement as well as other methods do.

Narrative methods work well for development because they potentially generate more feedback information. However, without good definitions of performance criteria or standards, they can be so unstructured as to be of little value for administrative uses. The MBO approach works well to link performance to organizational goals, but it can require much effort and time for defining objectives and explaining the process to employees. Narrative and MBO approaches may not work as well for lower-level jobs as for positions with more varied duties and responsibilities.

When managers can articulate what they want a performance appraisal system to accomplish, they can choose and mix methods to realize advantages of each approach. For example, one combination might include a graphic rating scale of performance on major job criteria, a narrative for developmental needs, and an overall ranking of employees in a department. Different categories of employees (e.g., salaried exempt, salaried nonexempt, maintenance, etc.) might require different combinations of methods.

LO5 Discuss the importance of training managers and employees on performance appraisal, and give examples of rater errors.

10-6 ■ TRAINING MANAGERS AND EMPLOYEES IN PERFORMANCE APPRAISAL

Court decisions on the legality of performance appraisals and research on appraisal effectiveness both stress the importance of training managers and employees on performance management and conducting evaluations.

For employees, performance appraisal training focuses on the purposes of appraisal, the appraisal process and timing, and how performance criteria and standards are linked to job duties and responsibilities. Most systems can be improved by training supervisors in how to do performance appraisals. Since conducting the appraisals is important, training should center around minimizing rater errors and providing raters with details on documenting performance information. Training is essential for those who have recently been promoted to managerial jobs and conducting performance appraisals is a new experience for them. Managers with informed positive views of the performance appraisal system are more likely to use the system effectively. Unfortunately, such training occurs only sporadically or not at all in many organizations.

Without training, managers and supervisors often "repeat the past," meaning that they appraise others much as they have been appraised in the past. The following list is not comprehensive, but it does identify some topics to be covered in appraisal training for managers:

- Appraisal process and timing
- Performance criteria and job standards that should be considered
- How to communicate positive and negative feedback
- When and how to discuss training and development goals
- Conducting and discussing the compensation review
- How to avoid common rating errors

10-6a Rater Errors

There are many possible sources of error in the performance appraisal process. One of the major sources is the rater. Although completely eliminating errors is impossible, making raters aware of potential errors and biases helps.

Varying Standards When appraising employees, a manager should avoid applying different standards and expectations to employees performing the same or similar jobs. Such problems often result from the use of ambiguous criteria and subjective weightings by supervisors.

Recency and Primacy Effects The **recency effect** occurs when a rater gives greater weight to recent events when appraising an individual's performance. Examples include giving a student a course grade on the basis of only the student's performance in the last week of class or giving a drill press operator a high rating even though the operator made the assigned quota only in the last two weeks of the rating period. Another time related issue is the **primacy effect**, which occurs when a rater gives greater weight to information received first when appraising an individual's performance.

Central Tendency, Leniency, and Strictness Errors Ask students, and they will tell you which professors tend to grade easier or harder. A manager may develop a similar *rating pattern*. Appraisers who rate all employees within a narrow range in the middle of the scale (i.e., rate everyone as "average") commit a **central tendency error**, giving even outstanding and poor performers an "average" rating.[42]

Rating patterns also may exhibit leniency or strictness. The **leniency error** occurs when ratings of all employees fall at the high end of the scale. To avoid conflict, managers often rate employees higher than they should. This "ratings boost" is especially likely when no manager or HR representative reviews the completed appraisals. The **strictness error** occurs when a manager uses only the lower part of the scale to rate employees.

Recency effect
Occurs when a rater gives greater weight to recent events when appraising an individual's performance.

Primacy effect
Occurs when a rater gives greater weight to information received first when appraising an individual's performance.

Central tendency error
Occurs when a rater gives all employees a score within a narrow range in the middle of the scale.

Leniency error
Occurs when ratings of all employees fall at the high end of the scale.

Strictness error
Occurs when ratings of all employees fall at the low end of the scale.

Rater bias
Occurs when a rater's values or prejudices distort the rating.

Rater Bias When a rater's values or prejudices distort the rating, **rater bias** occurs. Such bias may be unconscious or quite intentional. For example, a manager's dislike of certain ethnic groups may cause distortion in appraisal information for some people. Use of age, religion, seniority, sex, appearance, or other "classifications" may also skew appraisal ratings if the appraisal process is not properly designed. A review of appraisal ratings by higher-level managers may help correct this problem.

Halo effect
Occurs when a rater scores an employee high on all job criteria because of performance in one area.

Halo and Horns Effects The **halo effect** occurs when a rater scores an employee high on all job criteria because of performance in one area.[43] For example, if a worker has few absences, the supervisor might give the worker a high rating in all other areas of work, including quantity and quality of output, without really thinking about the employee's other characteristics separately. The opposite is the **horns effect**, which occurs when a low rating on one characteristic leads to an overall low rating.

Horns effect
Occurs when a low rating on one characteristic leads to an overall low rating.

Contrast Error Rating should be done using established standards. One problem is the **contrast error**, which is the tendency to rate people relative to one another rather than against performance standards. For example, if everyone else performs at a mediocre level, then a person performing only slightly better may be rated as "excellent" because of the contrast effect. But in a group where many employees are performing well, the same person might receive a lower rating. Although it may be appropriate to compare people at times, the performance rating usually should reflect comparison against performance standards, not against other people.

Contrast error
Tendency to rate people relative to others rather than against performance standards.

Similar-to-Me/Different-from-Me Errors Sometimes, raters are influenced by whether people show characteristics that are the same as or different from their own.[44] For example, a manager with an MBA degree might give subordinates with MBAs higher appraisals than those with only bachelor's degrees. The error comes in measuring an individual against another person rather than measuring how well the individual fulfills the expectations of the job.

Sampling Error If the rater has seen only a small sample of the person's work, an appraisal may be subject to sampling error. For example, assume that 95% of the reports prepared by an employee have been satisfactory, but a manager has seen only the 5% that had errors. If the supervisor rates the person's performance as "poor," then a sampling error has occurred. Ideally, the work being rated should be a broad and representative sample of all the work completed by the employee.

L06 Identify several concerns about appraisal feedback and ways to make it more effective.

10-7 ■ APPRAISAL FEEDBACK

After completing appraisals, managers need to communicate results to give employees a clear understanding of how they compare to performance standards and organizations expectations. Organizations commonly require managers to discuss appraisals with employees. The appraisal feedback interview provides an opportunity to clear up any misunderstandings on both sides. In this interview, the manager should focus on coaching and development as well, and not just tell the employee, "Here is how you rate and why."[45]

10-7a The Appraisal Interview

The appraisal interview presents both an opportunity and a challenge. It can be an emotional experience for the manager and the employee because the manager must communicate both praise and constructive criticism. A major concern for managers is how to emphasize the positive aspects of the employee's performance while still discussing ways to make needed improvements. If the interview is handled poorly, the employee may feel resentment, which could lead to future performance problems. Consequently, a manager should identify how employees add value to the organization and show appreciation when employees make valuable contributions.[46] When poor performance must be discussed, managers might consider using a "self-auditing" approach that relies on questions that encourage employees to identify their own performance deficiencies.
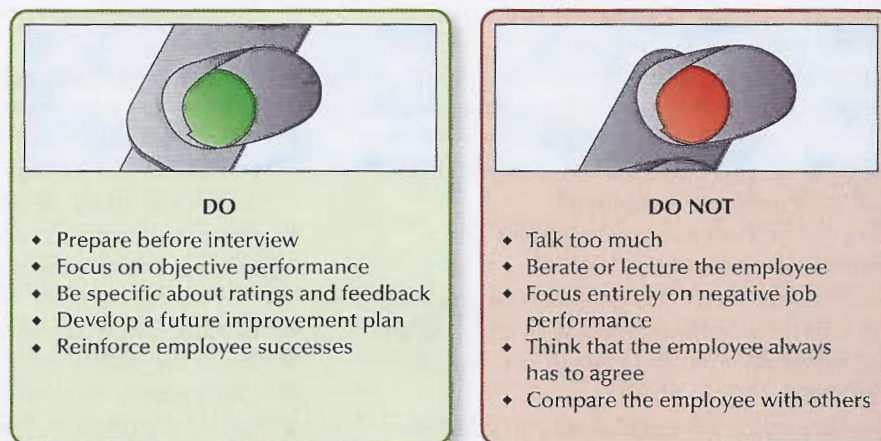
Employees usually approach an appraisal interview with some concern. They may feel that discussions about performance are both personal and important to their continued job success. At the same time, they want to know how their managers view their performance. Figure 10-12 summarizes hints for an effective appraisal interview for supervisors and managers.

10-7b Reactions of Managers and Employees

Managers who must complete evaluations of their employees often resist the appraisal process.[47] Many feel that their role requires them to assist, encourage, coach, and counsel employees to improve their performance. However, being a judge on the one hand and a coach and a counselor on the other hand may cause internal conflict.

Knowing that appraisals may affect employees' future careers may also cause altered or biased ratings. This problem is even more likely when managers know that they will have to communicate and defend their ratings to the employees, their bosses, or HR specialists. Managers can simply make the employee's ratings positive and avoid unpleasantness. But avoidance helps no one. A manager *owes* an employee a well-done appraisal, no matter how difficult an employee is, or how difficult the conversation about performance might be.

FIGURE 10-12 Appraisal Interview Hints for Appraisers

DO

+ Prepare before interview
+ Focus on objective performance
+ Be specific about ratings and feedback
+ Develop a future improvement plan
+ Reinforce employee successes

DO NOT

+ Talk too much
+ Berate or lecture the employee
+ Focus entirely on negative job performance
+ Think that the employee always has to agree
+ Compare the employee with others

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Employees may well see the appraisal process as a threat and feel that the only way for them to get a higher rating is for someone else to receive a low rating. This win–lose perception is encouraged by comparative methods of rating. Emphasis on the self-improvement and developmental aspects of appraisal appears to be the most effective way to reduce this reaction.[48]

Another common employee reaction resembles students' response to tests. A professor may prepare a test that she perceives to be fair, but students may see it differently. Likewise, employees being appraised may not necessarily agree with the manager doing the appraising. However, in most cases, employees will view appraisals done well as what they are meant to be—constructive feedback. Many employees want appraisals, but some may find it difficult to get honest feedback.[49]

10-7c Effective Performance Management

Regardless of the approach used, managers must understand the intended outcome of performance management.[50] When performance management is genuinely used to develop employees as resources, it usually works. When a key part of performance management, the performance appraisal, is used to punish employees, performance management is less effective. In its simplest form performance appraisal is the observation: "Here are your strengths and weaknesses, and here is a way to develop for the future."

Done well, performance management can lead to higher employee motivation and satisfaction. To be effective, a performance management system, including the performance appraisal processes, should be:

- beneficial as a development tool
- useful as an administrative tool
- legal and job related
- viewed as generally fair by employees
- effective in documenting employee performance
- Clear about who are high, average, and low performers

SUMMARY

- Performance management systems attempt to identify, measure, communicate, develop, and reward employee performance.
- Performance management has a broad organizational focus, whereas performance appraisals are the processes used to evaluate how employees perform their jobs and then communicate that information to employees.
- Effective performance management has a number of components, beginning with a performance-focused organizational culture.
- Job criteria identify important elements of a job, and affect the establishment of performance standards.
- Federal employment guidelines and court decisions influence the performance appraisal process.

- Appraising employee performance serves both administrative and developmental purposes.
- Performance appraisals can be done either informally or systematically.
- Appraisals can be conducted by superiors, employees (rating superiors or themselves), teams, outsiders, or other sources.
- Appraisal methods include category scaling, graphic rating scales, comparative, narrative, and management by objectives.
- Graphic rating scales and behavioral rating scales are widely used.
- Comparative methods include ranking and forced distribution, both of which raise methodological and legal concerns.

- Narrative methods include the critical incident technique and the essay approach.
- Training managers and employees on how to conduct performance appraisals can contribute to the effectiveness of a performance management system.

- Many performance appraisal problems are caused by a number of different rater errors.
- The appraisal feedback interview is a vital part of any appraisal system, and the reactions of both managers and employees must be considered when evaluating the system.

CRITICAL THINKING CHALLENGES

1. Describe how an organizational culture and the use of performance criteria and standards affect the remaining components of a performance management system.

2. Suppose you are a supervisor. What errors might you make when preparing the performance appraisal on a clerical employee? How might you avoid those errors?

3. Based on your experiences, as well as the chapter information, what are some good "rules of thumb" for conducting successful performance appraisal interviews?

4. Review the performance appraisal process and appraisal form used by a current or former employer, and compare them with those provided by other students. Also review other appraisal issues by going to www.workforce .com and searching for articles on *performance appraisals*. Develop a report suggesting changes to make the performance appraisal form and process you reviewed more effective.

5. As the new HR Director of a company in the behavioral health industry, you have the responsibility to develop a performance management system. You need to present a business case to senior executives that the performance management system does not stand alone and must be integrated into the company's strategic plan, business needs, and measurements. For information on performance management best practices, review various publications in the articles tab at www.insala.com.

   A. Given several key practices for a successful performance management system, which ones should be implemented first?

   B. Identify key measurements to transition the company from the current system of looking at personality factors to a new system of looking at performance factors.

CASE

Performance Management at Netflix

Netflix has a unique approach to the performance of its employees. It employs a culture with few rules and no tolerance for average or poor performers. Workers can earn top-of-the-market pay but no bonuses, development, training, or career planning. Vacation is at the discretion of the employee. The focus is on what people get done, not how many hours or days they worked. Netflix officials maintain that when employee discretion rules, employees can be trusted to do the right things. Reed Hastings, the CEO, says "We are more focused on the absence

of procedure—managing through talented people rather than a rule book."

There is no policy on vacation time. Workers decide, for example, how much vacation and sick leave to take. The only rules are being out sick for more than five days requires a doctor's excuse, and time-off beyond 30 days per year requires HR approval. The HR Director interviewed an applicant who expressed surprise at the vacation time approach. He said, "I am a workaholic and never take time off. I need someone to make sure I take

my time or I won't use it." He was told, "We hire adults and if you do not know how to manage your vacations you won't fit in."

If someone does something wrong, they are told it was wrong. After that they either "get it" or they are gone. The CEO says, "We try to be fair, but the length of an employee's Netflix career is not our primary concern. If someone is not extraordinary we let them go." If a person is rated as average or mediocre during the performance review process, he or she is dismissed. The HR officer notes that really good workers get frustrated at working with average performers. They feel it is important to get rid of those who do not perform even though other companies often do not.

Annual 360-degree reviews provide "direct and honest feedback." Another HR official notes, "In many companies when I want you to leave, my job is to prove you're incompetent. Here I write a check. We exchange severance for a release." The company does not "coddle" employees and does not ask how someone

"feels." When they are dismissed people usually find new jobs quickly and to date no one has sued.

The culture is designed to initiate and maintain creativity. If efficiency was the goal, more structure and rules would be needed, the CEO notes. As the company gets bigger, it may be more difficult to allow the same amount of freedom. As one observer noted, 'Good people can do things and can be relied on to police themselves." The lack of rules coupled with a serious performance culture makes Netflix an interesting place to work.[51]

QUESTIONS

1. Would you find working at Netflix exciting or frightening? Why?

2. Can everyone in a company be above average? If so, how can you tell if someone is truly above average?

3. Are performance evaluations important in this culture?

SUPPLEMENTAL CASES

Performance Management Improvements for Bristol-Myers Squibb

This case identifies how performance management systems might be redesigned. (For the case, go to www.cengage.com/management/mathis.)

Building Performance through Employee Participation

The case outlines what was done at Jewelers Mutual Insurance in allowing employees to have a say in

performance management. (For the case, go to www.cengage.com/management/mathis.)

Unequal/Equal Supervisors

This case identifies the consequences of giving appraisal ratings that may not be accurate. (For the case, go to www.cengage.com/management/mathis.)

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