

CYNTHIA D. McCAULEY D. SCOTT DeRUE
PAUL R. YOST SYLVESTER TAYLOR

EXPERIENCE- DRIVEN LEADER DEVELOPMENT



**MODELS, TOOLS, BEST PRACTICES, AND ADVICE
FOR ON-THE-JOB DEVELOPMENT**



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Assessing Learning's Impact on Careers

Richard A. Guzzo and Haig R. Nalbantian

Mercer



LEARNING CHANGES INDIVIDUALS, and learning in organizations can be effected in several ways such as through formal educational programs, relationship-based coaching and advising, and by direct experience. The changes that occur due to learning have further consequences, both for the individual (e.g., their career attainments) and for the employing organization. Indeed, the best way of understanding how the consequences of learning play out, over time, for individual and organization is the central concern of this contribution. The framework that we find most useful for this understanding is that of the internal labor market. Nalbantian, Guzzo, Doherty, and Kieffer (2004) provide a thorough exposition of the internal labor market (ILM) framework, a few highlights of which are summarized here.

Internal Labor Markets

Imagine that every large employer has a unique combination of processes for hiring, placing into positions, retaining, managing, motivating, developing, and valuing the talents of their members. These processes, in aggregate, fuel the internal labor market dynamics of an organization, influencing such things as who stays with an employer and who leaves; who moves into new roles or careers, who is promoted and how financial rewards are allocated. Learning is a process that influences these outcomes, and it is one process in a larger system

of processes. “Systems” and “systems thinking” are hallmarks of the internal labor market dynamics framework. For example, one feature of systems thinking is that multiple factors can influence the same outcome, as when the ascendancy of certain individuals into positions of leadership is driven simultaneously by factors related to the person (e.g., his or her assessed capabilities), to the job (e.g., the extent to which it naturally feeds into or networks with other jobs), and to the organization (e.g., the complexity of the business units in which the person has worked).

Another feature is that a single event or process—such as learning—can influence multiple outcomes. Interdependencies also are a core feature in the approach. That is, the effects of a process in one organization should not be expected to be the same as in another because the contexts in which that process plays out differ. Guzzo, Nalbantian and Parra (in press) illustrate this in their finding that, for all the popular emphasis on pay for performance, the actual impact of variable compensation on employee turnover varies considerably across thirty-four organizations, with more organizations actually experiencing no or negative impact of variable pay on retention than a positive impact. Such contextually sensitive findings are not unexpected from a systems thinking perspective.

A further illustration comes from a well-known consumer goods company that implemented a leadership development program centered on internal mobility, exposing leaders in the making to broad swaths of the business by moving them into different functions, businesses, and geographies. Although it was considered at the time to be a “best practice,” this program failed to account for critical contextual factors. For example, a long product development cycle meant that frequent moves distanced leaders from the consequences of their decisions, destroying accountability along with the opportunity to learn from mistakes. Further, the company heavily emphasized filling job openings from within and so each internal move that was orchestrated to grow leadership capability cascaded into a series of other moves that destabilized certain critical parts of the enterprise (e.g., product launch teams) and undermined the development of technical expertise in those areas where truly developmental experiences required more time. Such unintended negative consequences arising from a failure to take a systems view of this leadership development program diminished its effectiveness and led to major changes in program design (Nalbantian & Guzzo, 2009).

An internal labor market (ILM) *analysis*, then, is a systematic approach to understanding any one organization’s ILM dynamics. The analytic approach is data-rich. It takes advantage of the extensive information in databases now routinely maintained by employers. Examples of such databases include those that are a part of the core human resources information system (HRIS), those in learning management systems (e.g., LMS, which captures facts about who experienced what training and development activities), employee survey databases, and databases generated by applicant tracking systems that can provide extensive facts about an employee’s prior experience.

Indeed, a comprehensive set of facts about internal labor market dynamics over time often can be quickly amassed from several sources, and those facts are essential to under-

standing how learning influences outcomes such as individual performance, career advancement, turnover likelihood and other outcomes.

A first step in the analytic process often is a basic description of how talent flows in an organization (e.g., incidence of lateral moves, promotions, and exits). Such descriptive information can itself be quite illuminating. It may show where the “holes” are in the pipeline of talent being groomed for future leadership positions, as indicated by excess attrition rates at certain career stages, for example, or by a dearth of promotions in some parts of an enterprise. But the greatest power of an ILM analysis comes from applying statistical modeling processes to identify causes and consequences. That power comes from two sources. One is temporal ordering. That is, the analysis tests the extent to which current processes (e.g., learning experiences) reliably relate to subsequent outcomes (e.g., promotions). Causes must, of course, precede their consequences.

The second source of power is the capacity to account for other influences on the outcomes of interest. For example, the impact of learning on promotion is assessed after accounting for other plausible factors influencing who is promoted (e.g., such as the business unit in which one works, the tenure of the person promoted). Modeling also can identify and measure interactions with those other factors that either expand or limit the impact of learning. The results of applying statistical modeling to better understand internal labor market dynamics are very practical. Those results supply strong evidence—the business case—about what is really driving important workforce outcomes and thus what processes must be changed or maintained in order to for the organization to achieve the most desired outcomes. Moreover, because the results are quantified, they permit assessments of the return on investment in learning. Given how quick organizations are to cut back on investments in talent development in tough times, one cannot overstate the importance of being able to estimate the consequences and determine whether and to what extent such decisions may be self-defeating.

Case Example: Learning in an ILM Framework

A case study illustrates the application of the ILM framework to learning’s impact. The organization is a large global energy company headquartered outside the United States. It engaged in an ILM analysis to better understand and improve its talent management practices generally and to help formulate an effective talent management strategy. Consequently, talent management practices other than learning were also addressed. The company has a long history of emphasizing the importance of learning and talent development and it makes huge investments for these efforts. Those investments include maintaining a substantial training function that delivers company conducted training programs, sponsorship of employees’ pursuit of university and other external instruction, job rotations to enhance employee capabilities, and extensive use of overseas (expatriate) assignments to develop capabilities regarded as essential to successful leadership in the global enterprise.

Table 79.1 The Impact of Learning on Careers

Learning Experience	Percent Change in Probability		Percent Change in Amount	
	Promotion	Voluntary Turnover	Performance Rating	Total Pay
Overseas Assignment	49%	41%	6%	28%
Certification Program	47%	-89%	No Influence	No Influence
Degree Program	65%	No Influence	2%	-4%

Table 79.1 presents results from the ILM analysis for approximately fifty thousand salaried employees during a four-year period. Three forms of learning are depicted: completion of an overseas assignment, completion of a university-based degree program, and the completion of a program yielding a certification in function- or occupation-specific areas of expertise. Also shown are the influences of these forms of learning on each of four career outcomes: promotion, turnover, performance, and pay. Promotion and turnover are discrete variables, that is, either they happen or they do not in a given year, and the results show the change in probability of an individual being promoted or voluntarily quitting in the year following the completion of a learning event.

Performance (measured here as a rating on a 9-point scale) and pay are continuous variables. The figure shows the change in the value of the variables in the year following the completion of the event. For all three types of learning the results are “all else equal.” That is, the results answer the question of the extent to which a learning experience influences an outcome after accounting for many other individual, organizational, and external market factors influence that same outcome, including factors such as employee tenure, work location, type of job performed, organizational unit, time since last promotion, and so on. “No influence” in the figure indicates the absence of a statistically significant effect.

As Table 79.1 shows, the three types of learning have substantial influences on individuals’ careers. There are, however, important differences in their impact.

Overseas assignments are a classic example of learning by experience. In this energy company individuals are 49 percent more likely to be promoted in the year following completion of an overseas assignment relative to others who did not complete one, all else equal. Further, in the year following the assignment, their performance is more highly rated and their pay is greater. These outcomes clearly point to the positive benefits of experience-based learning through an overseas assignment. Note, however, that those who completed such assignments also are 41 percent more likely to leave the employer voluntarily in the year following the assignment, a startling finding given the prominence of this employer in its home country, region, and industry. From the organization’s point of view, this increased

attrition means that it will not reap the full benefits of the learning and development that it funded through these assignments and prior learning investments in these employees. Rather, some other employer will collect those benefits. It also signals that the strength of its employment brand may not be as strong as thought.

The figure also directly compares overseas assignments to two more traditional, structured types of learning, earning a certification and earning a degree. Here we see that the structured learning programs, like overseas assignments, also enhance the likelihood of a promotion in the following year. But they are not associated with talent loss. This may be in part because of how pay is managed. It takes time for those who leave for degree programs to have their pay catch up with that of their counterparts who stay on the job (note the negative impact of completing a degree program on pay). In effect, those who avail themselves of the opportunity to enhance their capabilities and knowledge participate in the funding of their development; specifically, they don't reap the full rewards until they begin to deliver results to the organization.

Finally, there seems to be a retention effect uniquely attributable to completing a certificate program, although neither on-the-job performance nor pay is significantly influenced by certifications.

Conclusion

When applied to learning—whether it occurs through experience, traditional coursework, or other means—the internal labor market framework is quite valuable, for these reasons:

1. It properly locates learning as one influence in a system of influences on behavior, thus allowing the impact of learning to be assessed vis-à-vis other influences, including comparing forms of learning to each other.
2. The data-rich, statistical modeling approach intrinsic to ILM analysis explicitly accounts for the impact of many other such influences—individual, organizational, contextual—when assessing learning's impact, thus providing a powerful business case for the unique value of learning outcomes important both to the individual and the employer.
3. The framework emphasizes observable events as consequences of learning—for example, who stayed with the employer, who was promoted—and thus the framework offers a potent complement to approaches that rely on, say, personal recollections and interpretations when assessing learning's impact on organizational life. Studying for a certification or a degree probably does not lead to as many vivid memories or dramatic life encounters as does experience-based learning. But that difference in intensity of experience during the process of learning should not be taken as a sign that one form of learning is therefore always more the powerful influence on behaviors and careers.

4. The framework simultaneously illuminates how the interests of the individual and of the organization are served—or not—by different forms of learning. In the best of all worlds, outcomes materialize that are good for employee and employer, but as case examples here illustrate, the ideal is not always the real world.

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