

Factors influencing managerial decision-making regarding employee development

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This paper reports the results of an experimental policy-capturing study using hypothetical scenarios that examined the impact of employee attributes (age, employment status, job performance) and development event characteristics (improvability of skill to be developed, type of development event) on managerial decision-making regarding employee development. The results suggest that an above average performer who holds a permanent position with the organisation and is younger in age is more likely to receive development opportunities. Improvability of the skill to be developed and type of development event were found to have little bearing on managers' decisions.

Keywords: Employee development, decision-making, policy-capturing, improvability beliefs

INTRODUCTION

Companies are constantly searching for sources of competitive advantage and many researchers (Elsdon & Iyer, 1999; Flores, 2002; Hubbard, 2004) have shown that the provision of employee development is one area that provides competitive advantage both directly, through the development of skills (Ripley, 2003), and indirectly, in areas such as staff retention (Benson, Finegold & Mohrman, 2004; Eisenberger, Stinglhamber, Vandenberghe, Sucharski, & Rhoades 2002; Rhoades & Eisenberger, 2002), increased performance (Garavan, 1990), organisational commitment (Fuller, Barnett, Kim & Relyea, 2003; Tansky & Chohen, 2001), recruitment of top staff (Thomas & Wise, 1999), career advancement (Wayne, Shore & Liden, 1997; Noe, 1996) and job satisfaction (Garavan, 1990; Maurer, Pierce, & Shore, 2002; Wayne et al. 1997).

A variety of factors are associated with participation in developmental opportunities. Age, gender, tenure, qualifications, employment status and job level have all been shown to be related to individual participation and employer support for development (Gobbi, 1998; CIPD, 2002a; CIPD, 2002b). Given this information about who participates in and is supported for development, we look here at one

mechanism by which these factors might exert their influence – through the employee’s manager. Cooke & Knibbs (1987) have suggested that the manager’s role is critical when considering employee access to development opportunities. Decision-making skills in managers are vital to organisational effectiveness and poor decisions can quickly damage the organisation’s ability to perform (Howard & Choi, 2000). It has been shown that managers are responsible for making decisions even in areas where there are clear company policies (Barham, Gottlieb & Kellerway, 1998; Lee & Duxbury, 1998). Managers interpret the policies and control their application, in effect making managers organisational gate keepers (Delehanty, Sullo & Wallace, 1982). There is however, scant empirical research into factors affecting managers’ decisions regarding employee development, a gap this study aims to address.

Variables Influencing Managerial Decision-Making

Since it is in the organisation’s interest to have all employees operating effectively, one could argue that access to development opportunities would logically be more likely to be given to under-performing employees. However, Leader-Member Exchange Theory (LMX; Varma & Stroh, 2001) provides reason to suggest this may not be the case. LMX Theory posits that leaders develop differentiated relationships with their subordinates. Leaders tend to assign employees to either an in-group or out-group based on factors including personal characteristics, gender, perceived performance and compatibility between supervisor and employee. A number of benefits of membership of the in-group have been observed, including extra support, attention and rewards for the employee from the supervisor, as well as higher performance ratings (Varma & Stroh, 2001; Iverson & Buttigieg, 1997; Liden & Graen, 1980). One benefit of in-group membership not explored is access to employee development. Assuming that high performers are more likely to be a member of the in-group, it seems reasonable to suppose that in cases where development is discretionary and requires managerial approval that this group will be more likely to have development requests approved. Accordingly, we suggest the following hypothesis:

Hypothesis 1: Development opportunities are more likely to be approved for employees whose performance is considered to be above average

Human Capital Theory (HCT) advocates rational decision-making in HR investment (Nafukho, Hairsten & Brooks, 2004). The basic tenet of HCT regarding organisational investment in development is that organisations will only do so where they are assured of a return on that investment. This logically suggests severable variables that may affect decision-making surrounding employee development, two of which we investigate here - employment status and age.

For many of today's organisations, their biggest cost is staffing, and they face a constant struggle to reduce costs and thereby increase the bottom line. One 'solution' is to increase the number of temporary employees as opposed to permanent employees because they are seen to be cheaper (Chapman, 2000; Shapiro, 2000). Although all employees require the necessary skills to perform on the job, HCT suggests that temporary workers will be less likely to receive any training or development. When employees are only with the organisation for a shorter, fixed period, there is less time available for any investment to realise a return – therefore HCT would lead to the conclusion that it is more cost effective to invest in the development of permanent staff. This is born out in the research literature, where surveys have shown that temporary employees are less likely to have access to development opportunities (Archer, 1994; Shapiro, 2000).

According to HCT an employee's age is also likely to affect investment decisions. Indeed, studies have shown that older workers are seen as less useful (Warr & Birdie, 1998), less interested in development (Kubeck, Delp, Haslett & McDaniel, 1996), and also that older workers have less access to development opportunities (Kubeck et. al., 1996). As with employment status, age is likely to affect development opportunities because there may well be less time available to realise an investment than there is with a younger worker. Given the predictions arising from HCT, and the role of the manager acting on behalf of the organisation, we suggest the following hypotheses.

Hypothesis 2: Managers are more likely to decide to develop permanent employees rather than temporary employees.

Hypothesis 3: Managers are less likely to provide development opportunities to older workers than to younger workers.

Implicit theories explain how individuals' beliefs in the fixed (entity theory) or malleable (incremental theory) nature of attributes affect their learning decisions (Dweck 1999). More specifically, those with an incremental theory of attributes see them as more improvable and hence, are more likely to believe in the usefulness of learning than those with an entity theory. Maurer, Wrenn, Pierce, Tross and Collins (2003) took this notion of improvability and applied it to competencies, finding that individuals regarded different knowledge, skills, abilities or other characteristics (KSAO) as more or less improvable. Those KSAOs reflecting motives and traits were rated as significantly less improvable than those relating to observable knowledge and skills. Moreover, Maurer and his colleagues found that those KSAOs rated as more improvable were more likely to be developed by the individual. Given that managers are gatekeepers in the employee development process they may be influenced by the perceived improvability of different competencies. Therefore we suggest:

Hypothesis 4: Managers are more likely to approve development opportunities for skills that are considered more improvable than for those skills that are considered less improvable.

There is considerable debate around the usefulness or otherwise of different types of employee development. Bellinger (2004) has argued that different forms of development are effective for different types of skills. Wu & Rocheleau (2001) have shown that employees believe that informal training is generally regarded as the most useful. In contrast Anis, Armstrong & Zhu (2004) found that formal, structured learning is the preferred approach by organisations. Given that managers may be considered proxies for the organisation in these decisions, we offer the following tentative hypothesis:

Hypothesis 5: Managers are more likely to approve development opportunities for a formal in-house course than other approaches.

METHOD

Participants

Data were collected from a convenience sample of 16 managers employed in a diverse range of organisational settings. There were more men (62.5%) than women (37.5%), and participants' ages ranged from 32 to 63, with a median age of 46.5. The majority of managers (75%) had more than 5 years

experience in their current position. All the managers indicated that they were responsible for employee development and most (93.75%) had been involved in such activities in the previous 12 months.

Data Collection, Measures and Research Design

A small group of managers were initially approached by the first author to complete a web-based survey. This group included both private and public sector managers who were known by the author to be involved in the development of their employees. Using snowball sampling respondents were asked to pass the URL link on to other managers who they knew were also responsible for the development of employees. The survey was divided into two sections and took approximately 20 minutes to complete. The first part of the survey comprised a set of demographic questions requesting such details as age, gender, ethnicity, managerial experience and involvement in development activities. Participants were also asked to complete a learning orientation scale and a measure of improvability beliefs (not reported in this paper).

In the second part of the survey policy-capturing methodology was used to assess the effects of employee attributes (job performance, age, employment status) and development event characteristics (focal competency, type of development event) on the likelihood that managers would approve a requested development opportunity. Participants, after being guided through a practice role and scenarios so as to mitigate 'start up' effects (Aiman-Smith, Scullen & Barr, 2002), were asked to assume the role of a Manager, Market Research and Promotions responsible for the development of various subordinates including copy writers/market research analysts. The contextual background for the scenarios was developed using information from ONet (www.onetcentre.org), an on-line website that provides job analysis information. The role of Manager, Market Research and Promotions was selected as the critical job skills for the copy writer/market research analyst have been shown to vary in terms of improvability (Maurer et al., 2003), thus allowing us to control for the importance of the focal competency.

Participants were presented with a series of 72 scenarios where each scenario included information on the age, performance, and employment status of the employee requesting development, the type of skill to be developed, and type of development event. After reading each scenario participants rated the likelihood

that they would approve the requested development (on a 7-point scale where 1 = very unlikely and 7 = very likely). A description of each of the variables manipulated in the scenarios follows:

Performance: This variable was separated into two cues, above average or below average performance for the previous 6 months.

Employment Status: This variable was separated into two cues, temporary or permanent for the past 10 months.

Age: This variable was also separated into two cues, younger workers (24 to 27 years with a mean age of 25.5) and older employees (54 to 57 years with a mean age of 55.5).

Type of skill: This variable was separated into 3 cues. The three skills were oral communication/expression, oral comprehension, and innovation/creativity. These skills were selected because they are all critical competencies for the role of copy writer/market research analyst, but have also been shown to vary in regards to their perceived improvability. Using a 5-point rating scale Maurer et al., (2003) found oral communication/expression to be the most improvable with a mean score of 4.23, oral comprehension was considered less improvable with a mean score of 3.77, and creativity/innovation was considered the least improvable with a mean score of 2.76.

Type of development event: This variable was also separated into 3 cues reflecting different types of development opportunities accessible without recourse to external providers. External development cues were not included in order to control for the confounding effects of cost. The first cue was the use of a formal, in-house training course. The second was assignment to a special project team and the third was coaching or mentoring.

These five variables were completely crossed so that every possible combination of cues was presented in the 72 scenarios (a 2x2x2x3x3 design). To minimise order effects scenarios were presented in random order and cue variables arranged randomly within each scenario (the only exception was that the

focal competency and type of development event were presented in tandem, this was done to enhance readability). A sample scenario is presented below.

Recently John, one of your staff, has approached you expressing an interest in further developmental opportunities. You know the following information about John:

- *His performance overall has been consistently above average for the past six months.*
- *He is 27 years old.*
- *He has expressed an interest in developing his creativity. There is an opportunity for you to assign him to a special project team where innovation and creative problem solving is important and where his abilities in this area may well be 'stretched'*
- *He has been working for you in a temporary role for the past 10 months*

All other things being equal, how likely is it that you would approve this development opportunity?

RESULTS

The data were analysed using ordinary least squares regression to estimate each managers' development preferences and the relative importance of each of the cue variables. Cue coefficients (beta weights) were then pooled and averaged to provide an estimate of the mean importance of each cue across individuals. On average the cue variables accounted for 80.1% of the variance of the managers' decisions regarding employee development (with a range of 58.4% to 97.5%) suggesting that the participants' development preferences were accurately captured.

Table one shows the mean beta weight for each cue variable and also indicates the percentage of cases in which the beta weight for that cue variable was significant. Consistent with hypothesis one better performing employees were much more likely to have requests for development approved. Similarly, permanent employees were also more likely to be developed by their managers, thus supporting hypothesis two. Support for hypothesis three was mixed, although in general as predicted there was a trend for younger workers to be supported for development more so than older employees. Contrary to hypotheses four and five there was little evidence that the type of skill or type of development event influenced managers' decisions regarding employee development.

Table 1: *Regression Estimates Predicting Likelihood of Approval of Developmental*

Variables	Standardised beta weights			Std error (mean)	% Significant Beta's*
	Mean	Range			
Age: younger (vs older)	0.142	-0.083	0.490	0.145	50.0
Employment: permanent (vs. temporary)	0.435	0.028	0.907	0.145	87.50
Performance: above average (vs below average)	0.615	0.048	0.986	0.145	93.75
Skill: creativity (vs oral expression)	-0.025	-0.407	0.178	0.177	18.75
Skill: oral comprehension (vs oral expression)	0.017	-0.273	0.143	0.177	18.75
Development: coach/mentor (vs formal in-house course)	-0.037	-0.221	0.267	0.177	18.75
Development: special project (vs formal in-house course)	-0.050	-0.256	0.095	0.177	6.25

*Confidence level: $p < 0.05$

DISCUSSION

Our results suggest that employee attributes play a greater role in managers' decision-making regarding employee development than do characteristics related to the type of development event. More specifically, we found that above average performance, permanent employment status, and being younger were all positively related to the likelihood of a manager approving development opportunities. In contrast, improvability of the skill to be developed and the type of development event had little impact on managers' decisions.

Of the variables considered, performance was found to exert the greatest effect. Employees with above average performance were much more likely to have development opportunities approved. While this outcome is consistent with LMX theory it is possible that in the absence of other information our managers were using reported job performance as an index of employee capability and thereby inferring potential for the organisation to benefit from the development opportunity provided. Further research in applied settings where the quality of the employee-manager relationship can be directly assessed is called for to confirm the role of LMX. Nevertheless, this result remains intriguing, suggesting as it does that

employees most in need of development (poor performers) are in all likelihood least likely to be supported by their managers in their quest for such development.

As predicted, those who were permanently employed were more likely to have development opportunities than their temporary counterparts. This supports previous empirical research (Archer, 1994; Tisdall, 1999), and is in line with the predictions made by HCT on the basis of return on investment. This has important implications given the changing nature of work and careers. As the skill level of the employee is an important component of an organisation's competitiveness (Brewster, Mayne & Tregaskis, 1997) and temporary employment is on the increase (Chapman, 2000; Shapiro, 2000), choosing not to develop these workers may put organisations at a disadvantage. If a manager is less likely to approve development opportunities for their temporary employees, the skills necessary for the organisation to perform successfully and profitably may not be acquired.

Age played a role in the decision-making of 50% of the respondents, proving somewhat less influential than the previous two variables. Our result showing a preference to develop younger workers provides mixed support for previous research showing problems with access to development for older workers (Kubek et al., 1996) and the predictions of HCT. The influence of age as a determining factor in managerial decision-making has some serious implications given the aging workforce in New Zealand. Predictions made by the Department of Labour (DoL) suggest that from 2001 to 2051 the percentage of older people (defined as those aged 45-64) in the workforce will rise from about 35% to nearly 45% (DoL, 2001). If this portion of the workforce is not receiving adequate development opportunities, it potentially leaves a large number of workers who are not gaining the new skills necessary to improve their performance.

Contrary to our expectations, improvability of the competence to be developed did not influence managers' development decisions. Maurer et al., (2003) have speculated that as role or job experience increases there is greater opportunity for individuals to observe successful development initiatives and skill improvement (their own improvement and that of others). They go on to argue, and provide evidence for the fact, that such exposure moderates improvability perceptions in such a way that important KSAOs

are generally more likely to be regarded as malleable. This may explain the absence of any effects for improvability in our study given that our group of manager participants were on the whole older (median age 46.5), had considerable experience in their current role (75% had five or more years), presumably more exposure instances of skill improvement and change, and therefore would be less likely to be influenced by the supposed improvability of the competency.

We found no support for our hypothesis that formal training would be more likely to be approved than informal methods. For the majority of managers type of development event was not an important variable with regard to likelihood of approval of development opportunities. This is an interesting finding given the suggestion from previous research (Anis et al., 2004) that organisations prefer more formal methods of development. One explanation for these findings could be that managers are increasingly aware of the advantages of informal development opportunities, such as coaching and ‘stretch assignments’, than they were in the past. Indeed, the research literature highlights the important benefits of the workplace as a site for learning, and this may be disseminating into practice (e.g. see Rainbird, Fuller & Munro, 2004). If this is in fact the case, this should have positive consequences for employees (and subsequently organisations), with increased access to a more diverse range of development opportunities.

This study is not without its limitations, including a small sample size and the use of hypothetical scenarios. Nonetheless, our results suggest managers may play an important role in determining access to development opportunities. Moreover, managers appear to be particularly influenced by employee characteristics, leading them to make decisions that might not always be in the organisation’s or employee’s best interests. Further research exploring how such influences might be mitigated would be useful, as would other studies enabling generalisation of these results to applied settings.

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