FACING REALITY: MAKING THE DIFFICULT DECISIONS ABOUT EMPLOYEES

T he changes in today's economy are relentless. Companies have less and less time to face the reality of their organizations' shortcomings in adapting to changing business realities. This is most apparent when leaders and employees at all levels must adapt to changing expectations but are unable or reluctant to do so.

These issues are dealt with in two new books featured in the national business media: *Confronting Reality: Doing What Matters to Get Things Right* by Larry Bossidy and Ram Charan and *You're In Charge – Now What?* by Thomas J. Neff and James M. Citrin. And as always seems the case, Peter Drucker wrote about this same topic a number of years ago in *The Age of Discontinuity*, in which he talked about the importance of organizations developing a discipline that requires them to face up to reality. He said all organizations need rigorous yardsticks to measure performance. The difference today is that we are now operating close to warp speed, with even less time to take action before change negatively affects the success of the enterprise.

Unfortunately, in times of great change and stress, most managers fall back on what they've done before, often redoubling their efforts to use yesterday's approach instead of recognizing that they are up against a new challenge that will require new ways of thinking.

Bossidy and Charan note the importance of evaluating the business savvy of today's leaders: do they understand the business model (i.e., how profits are made in this specific business) and the strengths and weaknesses of this business vis-a-vis the external challenges that will affect their financial targets? Any business that expects to stay around must raise the bar for leadership—that is, identify and develop leaders who are able to confront reality.

One of the difficult realities that leaders must face is whether their people, even previously successful employees, are still up to the job today. Often executives keep employees in positions too long because they have been successful in the past, rather than evaluating them on how they get the job done today and whether they possess the talent required to grow and adapt to changing realities. Executives need to ask their key leaders these questions:

❖ Are they adding value with new ideas?

❖ Are they in touch with what is necessary to be successful in their industry or are they applying yesterday's solutions to today's problems?

❖ How do they compare with world-class talent—other leaders facing these same issues?

❖ Do they listen to different points of view?

❖ Do they have the confidence to make tough judgment calls?

❖ Are they developing others into future leaders?

It is understandable that executives and managers will find it uncomfortable to move aside employees who have performed well in the past but are not equipped with the skills or behavioral competencies absolutely necessary for success in the current and future business environment. Sometimes the Peter Principle occurs, not because employees have been promoted beyond their capability, but because they have stood still in their current job and in their own self-development.

A well-focused process for identifying and developing the right leadership qualities will greatly raise the odds that employees are up to the job of confronting today's business realities. Using such a process, executives can feel more confident in their decisions about employees and can help an employee to better understand the behaviors that need to change.

The tools exist for evaluating how leaders are performing. Many companies have leadership competency models to make explicit the behaviors required for achieving the organization's business model and strategy. They use these behaviors in a performance evaluation process that includes multisource feedback. PSP customizes 360 evaluations to the competency behaviors; these 360s can be taken online to provide timely information and feedback. This allows executives to use the strengths of employees already in the right positions and to speed up change in positions where individuals' strengths do not fit and are no longer adding value.

The speed of change is not slowing down. To meet current and future expectations, companies must apply rigorous yardsticks to measure performance in all areas. If key people do not demonstrate desired behaviors for executing the business model, little change will take place. Companies that face this reality will be the winners in adapting to the relentless challenge of the marketplace.

EIGHT HABITS OF EFFECTIVE CRITICAL THINKERS

Critical thinking skills are used every day by successful executives. They use them to sift through incomplete and complex information, to ask the right questions, to recognize strong versus weak arguments, and to be aware of how much information is needed to reach a logical conclusion and to make business decisions important to the success of the company.

The continual change confronting companies requires executives to be both good decision-makers and good critical thinkers. There is little time for poor decision-making. If not quickly recognized before too much investment is made, poor decisions can hinder a corporation's chances for success in quarterly results and perhaps throw a monkey wrench in the opportunity for timely intervention in fast-moving markets.

Critical thinking is not just the province of executives. Decisions by employees at all levels affect their level of productivity and efficient use of resources. When the maintenance mechanic has the critical thinking skills to problem solve effectively, he can get a piece of equipment back in working order more quickly, thereby speeding productivity. A sales representative with good critical thinking skills will ask the right questions of her customers in order to make the correct match for each customer's specific needs, thereby creating a successful long-term relationship. Without these skills, a salesperson is more likely to sell the customer what she has been trained to sell regardless of whether it fits the customer's needs, creating a terminal relationship that ends when the product or service does not produce the expected outcomes. The consequences of poor critical thinking increase exponentially for higher level positions in the company.

Good critical thinkers practice eight particular habits when processing information, solving problems and reaching decisions.

8 Habits of Good Critical Thinkers

HABIT ONE: Good critical thinkers are **more concerned about getting it right than they are about being right.** They can put aside their egos to recognize that they do not need to have all the answers. They are willing to admit to not knowing something or to making mistakes. They know the importance of asking questions and seeking the best available information.

HABIT TWO: Good critical thinkers **avoid jumping to conclusions and rushing to judgment.** They take time to gather as much information as possible to better understand a complex situation before taking action. They recognize that the consequences of some decisions are more important than others and these decisions require more scrutiny.

HABIT THREE: Good critical thinkers **do not accept information at face value**. They ask questions to discover what is behind the data when information is presented. They recognize that it is important not only to confirm that the facts are correct but also to understand that information can be presented in a way designed to support a particular agenda. Similarly, they know to inquire about information that may have been left out because it does not lend support to a particular position.

HABIT FOUR: Good critical thinkers **avoid overanalysis** that leads to paralysis in decision-making. They seek clarity by looking for order or patterns in the data, while avoiding the trap of forcing information to fit a particular need. By looking at both the forest (the big picture) and the trees (the details), they have a sense of when they have enough information to make a decision. They know that they will never have all the information they might like but are confident that once they have explored the available information fully and objectively, they will likely reason out good decisions.

HABIT FIVE: Good critical thinkers **are continuous learners** and work to stay well-informed. They are inquisitive about a wide range of topics and issues, making a regular effort to read and to educate themselves, gathering information that may be important for making decisions now and in the future.

HABIT SIX: Good critical thinkers **show flexibility** in their willingness to consider alternative ideas and opinions. They seek to understand the perspective of a potential customer or even a competitor. This ability to see more than one side of an issue allows them to position their approach more effectively and reflects their confidence in their ability to reason.

HABIT SEVEN: Good critical thinkers **use critical thinking on themselves**. They can explain how they arrived at a conclusion, allowing others to follow their reasoning and understand their thinking. Through self-examination and sensitivity to their own biases, they ask themselves questions such as: Do I have all the necessary information? If my conclusions are true, what are the likely implications? They are willing to change their views when more information is provided and a greater understanding is discovered.

HABIT EIGHT: Good critical thinkers **have a distinctive behavioral style.** They are confident but not cocky, reflective yet able to take action, and decisive while showing reasonable analysis. They can demonstrate patience when the stakes are high and issues are not black-and-white. They read more than the average person and communicate their ideas clearly. They can think independently but place value on different perspectives. They accept responsibility when things go wrong and seek to understand what happened so they can learn from their mistakes.

You will recognize good critical thinkers by their practice of these habits. Critical thinking skills cannot be developed overnight. Selecting good critical thinkers is always a quicker route than relying on training and development. Nonetheless, practicing these eight habits will improve one's critical thinking ability. As individuals become more successful in using good critical thinking in their everyday decision-making, their companies will be more successful in meeting the challenges of the continuously changing expectations of customers and markets.

Why Job Knowledge Isn't Enough

Many managers place a premium on job knowledge when they hire or promote new managers. They want people who have extensive knowledge of the job, have done it before, or have particular industry experience. They prize people with an M.B.A., high grades in school, or years of experience in their field. They raid competitors, trying to hire away seasoned veterans who will have a "short learning curve" or will "hit the ground running."

Management Career Derailers

Yet studies have shown repeatedly that job knowledge is not what derails most managers and executives in their careers. While an adequate level of job knowledge is a prerequisite, it is the "soft skills" that are the career killers. Research by the Center for Creative Leadership has shown that there are five major causes of career derailment among managers:

- ❖ difficulty with interpersonal relations
- ❖ problems in building or leading a team
- ❖ difficulty in adapting to change
- ❖ failure to meet business objectives
- ❖ narrow thinking

Any one of these derailers is enough to stunt career growth. And, while it may be possible to improve some of the "soft skills" listed above, a hiring manager would be far better off selecting people who did not possess these derailers. Here is why.

Interpersonal and Team Skills

Think about how much time and money are spent trying to improve the interpersonal skills of managers and executives. Consider the size of the management training industry built in the past 15 years around the concepts of team building and team leadership. Certainly these training programs fulfill genuine needs in management development, but too often they are used to repair damage caused by a poor hiring or promotion decision. Too often they do not succeed in enabling struggling managers to achieve satisfactory interpersonal or team building skills. The lesson: select for people skills to prevent derailment.

Adapting to Change and Getting Results

In recent years, change management and results-oriented leadership training programs have come in vogue. Who can argue with the importance of these concepts? Yet we continue to pick managers who do not adapt well to change or who are task-focused, not goal-oriented. We have convinced ourselves that these concepts can be learned and that we can hire a manager who lacks them as long as he or she has the job knowledge. Remember, no matter how much an applicant knows the job, a manager who lacks adaptability or results-orientation is not likely to succeed.

Narrow Thinking

The final derailer, narrow thinking, refers to the problem of tunnel vision in management, of being unable to see and understand the

big picture. This problem is especially prevalent with people who have spent all of their time within a specialized functional area of the company. As a result, it is difficult for them to put obstacles and opportunities in context and to think "outside the box." Companies can sometimes overcome this derailer by providing job rotation experiences or interdisciplinary task force/committee assignments, but these approaches take time—years, in some cases. It is far better to hire a manager with a broad background and strong critical thinking skills.

Identify Derailers Before Hiring

To reduce the risk of career derailers in your management ranks, identify the five key derailers before hiring or promotion. The traditional pre-employment screening tools you already use can be helpful in this regard. When reviewing resumes of management applicants, for example, look for variety in the assignments they have held, as well as progression of responsibility. Are they continuous learners with up-to-date knowledge and broad business understanding? These data points will give you clues on big picture thinking.

When interviewing, ask applicants to give you behavioral examples of times they have had to manage major changes or to adapt their thinking to the challenges at hand. If your interview process includes a panel approach or a group dinner affair, observe how the applicant interacts with each participant so you can get a feeling for people skills. When checking references, find out what the applicant's role was in achieving some of the business objectives cited in the resume, and whether those objectives were part of the employer's business plan for that time period.

Another tool designed to identify career derailers before hiring or promotion is pre-employment testing. PSP's tests, for example, are calibrated to measure people skills, team orientation, adaptability in thinking, leadership, change management, results orientation, and big-picture thinking skills. Through PSP's proprietary benchmarks, these factors are compared to the performance level of first-level managers, middle managers or senior managers nationwide. In this way, the objectivity of pre-employment testing can help to corroborate findings from the more subjective screening tools such as interviewing, dinner observation and reference checks.

By combining pre-employment testing with traditional screening tools, a hiring manager has the most comprehensive information available on risk factors for career derailment. Hiring decisions made in this manner minimize the need for expensive and extensive remedial training programs later, especially for management roles in which job knowledge isn't enough.

WHAT'S NEW @ PSP

- ❖ Launched online selection tools for system operator screening for PSP's electric utility customers throughout the United States.

- ❖ Developed online employee surveys for 360 feedback, employee retention, and employee attitude/opinion surveys. These are available in a Likert scale (1-5) approach as well as in PSP's Wyvern OJQ paired comparison survey system.

- ❖ Used the Wyvern (OJQ) paired comparison system for a department reorganization of a large international pharmaceutical/chemical corporation.

- ❖ Utilized PSP's online Spanish testing web site for selection of key management and salaried positions for a new plant start-up in Monterrey, Mexico.

- ❖ Upgraded PSP's IT capability with new hardware, software and Internet connections to support its expansion into online delivery of services.

- ❖ Installed a new PSP telephone system which provides improved real-time telephone contact with our customers, as well as more rapid and reliable automated telephone services.

- ❖ Upgraded PSP's optical scanning equipment to better serve our high volume customers who test large numbers of applicants in each testing session.

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RESOURCES FOR LEADERS AND MANAGERS

In *Confronting Reality: Doing What Matters to Get Things Right*, co-authors Larry Bossidy and Ram Charan show how to use the business model to develop a reality-based process for thinking about the specifics of your business in a challenging and radically changed world.

You're in Charge—Now What? To answer this question, Thomas J. Neff and James M. Citrin have developed an eight-point plan to help leaders in transition build a solid foundation during the first 100 days in a new position. Their work is based on a study of more than a hundred highly visible leadership transitions over the past five years.
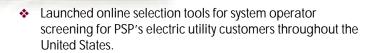
Rosabeth Moss Kanter, a professor at Harvard Business School, investigated success and failure in many well-known companies and organizations, and concluded that confidence is a vital factor enabling people to perform at a high level. In *Confidence: How Winning Streaks and Losing Streaks Begin and End*, she draws lessons that can make a difference to leaders at all levels, from corporate boardrooms to sports teams to personal life.

The Center for Creative Leadership (CCL), a prestigious organization devoted exclusively to leadership research and education, examines the skills needed for successful leadership in *The CCL Guide to Leadership in Action: How Managers and Organizations Can Improve the Practice of Leadership*, edited by Martin Wilcox and Stephen Rush.

In *"Change Before You Have To: For CEOs Who Recognize the Need, the Tools Exist Now for Organizational Change,"* PSP psychologist Stephen L. Guinn examines the steps necessary to change an organization to make it more efficient and competitive in a rapidly changing business environment. Please contact PSP for a copy of this article, published in *Career Development International* (Vol. 2, No. 5, 1997, pp. 225-228).

For recommendations on training resources on any management topic, contact PSP directly.