The Paradox of Promotion: Learning about the Past helps Future Adaptation?*

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Ⅰ. Introduction

Promotion is the typical human resource management practice that motivates employees to work harder and sends desirable behaviors to achieve organizational goals to employees. In general, promotion is the result of past performance evaluation. However, if there are gaps in roles and job competencies before and after promotions, paradoxical situations that promoted high-performers do not work well after promotion will occur. In other words, the paradox of promotion which means the past achievement cannot guarantee future success happens. This paper discusses the contradictory phenomena of promotion and suggests competency development training and competency-based evaluation as land-soft solutions to minimize the potential side-effect of promotion.

Ⅰ. Introduction

Managing human resources effectively and efficiently is the foundation of competitiveness and it ultimately leads to the sustainable creation of firm performance from the strategic point of view (Barney & Wright, 1998; Becker & Huselid, 2006; Huselid, 1995; Jones & Wright, 1992; Schuler & MacMillan.

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1984: Wright & McMahan, 1992, Wright et al. 2005). Behavioral perspective, as one of the most predominate paradigms in strategic human resource management (SHRM), posits that the purpose of various human resource management (HRM) practices is to elicit and reinforce organizationally desired behaviors (Schuler & Jackson, 1987; Snell, 1992; Wright & McMahan, 1992; Wright & Snell, 1991). Firms generally utilize promotion and pay increase as the typical tools to draw desirable behaviors from employees (Bowen & Ostroff, 2004; DeVaro, 2006; Neal, West, & Patterson, 2005; Wright & Snell, 1991). In particular, promotion has more incentive effects on employees' motivation to work harder rather than temporary performance premiums because promotion usually includes both hierarchical power and pay raises (Baron & Kreps, 1999; DeVaro, 2006; Gibbons & Waldman, 1999; Lazear, 1992; Meier, 2004; Noe et al., 2008).

A majority of research on promotion based on tournament theory has been conducted that only a few people as winners can enjoy all the glory (Lazear & Rosen, 1981, Lazear, 1999; Lazear & Shaw, 2007; Rosen, 1986). Most studies on tournament theory show that promotion has a great incentive effect to work harder because it typically brings higher compensation, more power, and higher status, and the like for (Baron & Kreps, 1999; Lazear & Rosen, 1981, Lazear, 1999; Lazear & Shaw, 2007; Rosen, 1986, Trevor, Gerhart, & Boudreau, 1997). Nevertheless, there are also some studies examined unhappy consequences of the promotion pyramid such as demotivating unpromoted people, hindering cooperation, and worsening organizational politics (Baron & Kreps, 1999: Rodgers, 1992).

Despite many studies on promotion, the issue about promoted employees' subsequent performance or adaptation process has been paid relatively little attention by researchers. This, in part, results from the premise that promoted people after surviving in the intense competition of career ladder are consistently competent and invincible. However, according to Lazear’s (1999) finding, recently promoted individuals tend to underperform rather than those who did not
promote or those who already promoted to that position. This must be a big irony in that promotion as a rationally purposive action for employees' higher motivation leads to unexpected consequences such as lower performance appraisal and maladaptive behavior after promotion (Merton, 1936). In particular, if those who promoted have to perform totally unfamiliar jobs required quite different and high-level competencies, these unwelcome post-decision surprises can be bigger (Harrison & March, 1984; Levinthal & March, 1993). To relieve the discrepancies between the purport of promotion and unwanted outcomes, the issues of promoted individuals' adaptation and subsequent performance are needed to be paid more attention and discussed more in depth in order to achieve strategic goals by managing employees' behavior properly through promotion.

In this regard, this study extends past research on promotion in three aspects. First, this study will concentrate on the first stage or adaptation period that is the time right after promotion. Unlike the cases used sports data (Becker & Huselid, 1992; Ehrenberg & Bognanno, 1990), employees in an organization should work at the same position during minimum term of years after current promotion to have another chance into the higher level. The ironical situation between the purposive action (promotion) and the unanticipated outcome (lower job performance) will occur especially right after promotion. Second, organizational learning approach will be used to explain employees' subsequent performance and adaptation, instead of thoroughly result-based tournament theory emphasizing final winning and astonishing prize. The idea of organizational learning as a process-oriented perspective can be more appropriate to explain phenomena after promotion because the degree of adaption changes with time. This approach will provide more in-depth explanations about recently promoted employees' adaptation and learning at the individual level, not just limited at the organizational level. In addition, this viewpoint will show that once promoted persons do not continuously outperform and yet every promotion does not imply lower performance.
Third, this study will examine that some inherent problems in one HR practice can be complemented by other HR practices. The internal fit among practices is not only limited to the high degree of fit among individual practices, but can be also reinforced by complementing each other through the synergy effects (Becker & Huselid, 1998; Bowen & Ostroff, 2004; Wright & Snell, 1998). In particular, this paper will focus on the moderating effects of other HR practices such as evaluation and development before promotion as effective solutions to minimize unexpected outcomes of promotion.

To sum up, the purpose of this research is to provide some explanations about subsequent performance after promotion from the organizational learning perspective and applicable solutions to a time-inconsistency problem nested in promotion by capitalizing on other HR practices such as evaluation and development for strategic utilization of human resources.

II. Literature Review and Propositions

1. The Paradox of Promotion

Organizations strive to find and design various HR systems and practices for motivating employees and increasing organizational performance (Kopelman, Brief & Guzzo, 1990; Wright & McMahan, 1992). In particular, promotion is regarded as a more effective device compared to one-shot monetary reward because promotion is usually accompanied by positional power in organizational hierarchy as well as pay raises (Baron & Kreps, 1999; DeVaro, 2006; Gibbons & Waldman, 1999; Lazear, 1992; Meier, 2004; Waldman, 2003). In other words, employees make greater efforts to overachieve, and these efforts and increased performance are rewarded as promotion in the focal career ladder (Baron & Kreps, 1999). The problem is, however, that promotion is the outcome from prior or past
performance (Lazear, 1999; Waldman, 2003). It means promotion itself does not always lead to a good record of performance appraisal in the future (Merton, 1936; Waldman, 2003). This time-inconsistency problem can give rise to the unanticipated outcome like Lazear's (1999) finding that recently promoted individuals' performance scores were lower than those of non-promoted employees.

However, this result should be interpreted more carefully from the perspective of learning despite great insight. If employees promoted to the position required similar competency with the extant one, they rather enjoy greater competitive advantages in performing new jobs because they can capitalize on their existing knowledge and skills through exploitation (Levinthal & March, 1993; Levitt & March, 1988; March, 1991). Namely, when competence-enhancing discontinuity such as the move into similar grades or position happens, individuals can improve their performance over repetitions of the same tasks due to the learning-curve effect. In addition, the lessons of experience are transferable from prior jobs to current ones on the basis of leverage effects via exploitation (Argote, Beckman, & Epple, 1990; Ingram & Baum, 1997; Levinthal & March, 1993; March, 1991; Tushman & Anderson, 1986).

However, the real paradoxical situation happens in the case of competence-destroying discontinuity that current competencies are not applicable to tasks needed quite different competencies like taking up a post (Dragoni et al., 2009; Tushman & Anderson, 1986). For example, when someone is a team member, he or she can fully get good performance appraisal through outstanding job-oriented skills and knowledge. But if the person becomes a team leader, leadership competencies such as motivating and developing members, improving team or organizational performance, and formulating vision or strategy are demanded afresh to carry out a new role successfully (Robbins, 2001).

Definitely, accumulated know-hows through prior job experiences are the key factors to bring current competitive advantages (Ingram & Baum, 1997; Levinthal & March, 1993), but the effectiveness of routine-based and history-dependent
learning in the short-run and in the near neighborhood of current experience sometimes interfere with learning in the long run and at a distance (Cohen & Levinthal, 1990, 1994; Levinthal & March, 1993; Levitt & March, 1988; March, 1991). This comes from the self-reinforcing nature of learning that makes distinctive competence accentuated, and due to this reason organizations or individuals become specialized to niches in which their competencies yield immediate advantages and fruition (Cohen & Levinthal, 1990, 1994; Ingram & Baum, 1997; Levinthal & March, 1993; March, 1991).

Considering that promotion is the reward for excellent performers with outstanding competencies at the current level (Baron & Kreps, 1999; DeVaro, 2006; Waldman, 2003), high reliability and accountability of existing competencies can play some kind of inertia to undermine exploration abilities as 'competency trap' (Hannan & Freeman, 1984; Levinthal & March, 1993; Levitt & March, 1988; March, 1991). The more this discrepancy between existing and required competencies is, the higher adaptation cost is because such employees start to learn from the entry level of learning curve (Huber, 1991; Lazear, 1999; Levinthal & March, 1993). In addition, the degree of discrepancy between existing and required competencies will be bigger as the role stage will be higher (Dalton et al. 1977; Levitt & March, 1988). In this regard, newly-promoted employees are at a disadvantage because performance appraisal is based on relative job performance competed with those who are already holding proper competencies at the level (DeVaro, 2006). Consequently, these liabilities of newness including all the adaptation costs will lower subsequent performance (Freeman, Carroll, & Hannan, 1983). In other words, recently promoted employees' subsequent performance will be lower rather than staying employees' performance at the same level.

Proposition 1: Recently promoted employees' subsequent job performance levels will be lower than those of others who are already
promoted to the high level required different competencies.

2. The Soft Landing after Promotion

1) Competency Development

However, these liabilities of newness can be attenuated if employees have opportunities to learn and develop new competencies in the prior stage (Cohen & Lenvithal, 1990; Dragoni et al., 2009; Miner & Mezias, 1996). This is because such chances convert exploration process into another kind of exploitation processes (Avolio, 2007; March, 1991; Tesluk & Jacobs, 1998). On the one hand, the confusion of experience between current and challenging jobs in the future is the time of trials and errors, but on the other hand, it is the valuable time to accumulate absorptive capability, to create new routines, and to reduce adaptation cost after taking up a new role (Cohen & Levinthal, 1990; Levinthal & March, 1993; Levitt & Martch, 1988; Miner & Mezias, 1996). Among HR systems and practices, training and development can play such a role (Noe et al., 2008).

In general, training is regarded as a planned effort by a firm to facilitate employees' learning of mainly current job-related competencies (Baldwin, Danielson & Wiggenhorn, 1997). However, recently the focus of training is changing into a broader aspect that links training to strategic business goals, diverging from traditionally narrow meaning such as teaching and learning of skills and knowledge (Baldwin, Danielson & Wiggenhorn, 1997; Hughes & Beatty, 2005; Quinn, Anderson & Finkelstein, 2005). Gratton and colleagues (1999) emphasized that organizations with effective vertical strategic linkages between human resource practices and corporate strategy have strong training and development programs. Russell and colleagues' (1985) study also demonstrated that organizational-level training and support positively affected organizational performance, and this was because investment-oriented HRM practices like training directly contributed
to human capital accumulations over time (Dragoni et al., 2009; Neal, West & Patterson, 2005; Shaw & Gupta, 2005; Youndt et al., 1996). In this sense, as training continues to become more strategic, the distinction between training and development starts to blur in that both training and development focus on current and future personal and company needs. Through various developmental opportunities so-called high-leverage training, employees can get information and accumulate knowledge related to future-oriented jobs as well as their current jobs (Noe et al., 2008). In other words, training and development play important roles in the socialization process to strengthen P (Person) - E (Environment) fit as well as P (person) - J (Job) (Werbel & DeMarie, 2005).

This prior experience obtaining from training and development permits the assimilation and exploitation of new knowledge and ultimately becomes the foundation of acculturation and exploration by facilitating the consistent development of absorptive capacity (Cohen & Levinthal, 1990; Dragoni et al., 2009; Huber, 1991). In other words, providing opportunities to expose employees themselves to new competencies and experience needed in dissimilar job environment before promotion extends existing exploitative boundaries to exploratory domains (March, 1991). Consequently, training and development to learn higher-level competencies make employees soft-land into the more practiced points in the learning curve despite the competence-destroying discontinuity. Accordingly, the presence of buffer such as training and development leads to the reduction of adaptation costs, and eventually the liabilities of newness after promotion will not bring out the dramatic drop in employees' subsequent performance.

**Proposition 2:** The opportunity to develop competencies required at the higher level before promotion will be moderate the relationship between recent promotion and subsequent job performance, such that the negative effect of recent promotion to the high level required different competencies on an employee's subsequent performance.
job performance will be attenuated as the employee has more opportunities to develop such competencies before promotion.

2) Competency-based Evaluation

Not only providing the opportunities to develop competencies required at the high level before promotion, but evaluation itself also functions as an effective instrumental and symbolic tool in predicting subsequent outcomes, encouraging higher job performance and facilitating organizationally desired behaviors. In other words, performance appraisal contributes to the assimilation process by monitoring performance and providing feedback to support the attainment of strategic goals (Baron & Kreps, 1999; Werbel & DeMarie, 2005). As above-mentioned, the paradox of promotion that a rationally purposive action for employees' motivation leads to unexpected consequences like lower performance ratings or maladaptive behavior after promotion (Lazear, 1999; Merton, 1936) comes from the time-inconsistency between the timing to decide promotion and the timing to do work in the promoted position (Waldman, 2003). Due to this time-inconsistency problem, decision-making on promoters simply based on past performance can lead to big unwelcome post-decision surprises (Harrison & March, 1984; Levinthal & March, 1993).

Although the time gap between decision and performing cannot avoid, the degree of post-decision surprise can be relieved by more reflecting the ratio of competencies required at the higher level in promotion examination (Waldman, 2003). This method can discern between qualified and unqualified people by prescreening so-called lemon (Baron & Kreps, 1999). Employees selected through this will adapt to new roles more easily because they already possessed such competencies to carry out these roles (Naylor et al., 1980). Accordingly, potential negative effects of recent promotion in performance competition will not be so severe.

In addition to the instrumental aspect of evaluation, weighting potential
competencies at the higher level in promotion examination also has the symbolic meaning that firms place great values on holding competencies required at the higher level. From the perspective of SHRM, HR practices are designed and manipulated to elicit critical behaviors associated with organizations' strategic direction from employees (Schuler & Jackson, 1987; Snell, 1992; Wright & McMahan, 1992; Wright & Snell, 1991). This symbolic mechanism of HR systems is essential for SHRM as Gratton and colleagues (1999) also suggested. Employees may be unclear about what sorts of behavior the firm desires, what skills are sought, what sorts of decisions are in the firm's interest, and so on. In this time, the promotion of a particular employee typically sends strong signals to others about what the organization values, so that others can mold themselves according to the pattern that has been rewarded by promotion (Baron & Kreps, 1999; Bowen & Ostroff, 2004).

In this sense, what an organization weights on potential competencies at the higher level in promotion examination can be a proper signaling (Baron & Kreps, 1999; Bowen & Ostroff, 2004; Neal, West & Patterson; Wright & McMahan, 1992). As a result, employees strive for the development of such competencies according to this signal for promotion regardless of training and support at the organizational level (Snell, 1992; Wright & Snell, 1991), and this effort brings good performance after promotion as well as winning in a promotion race (Cohen & Levinthal, 1994). The accumulation of relevant competencies to pass promotion examination will decrease the aftermath of trial and error in adaptation processes and potential negative effects of promotion on job performance. In this respect, the reflecting higher level competencies in the promotion examination can attenuate post-decision surprises by strengthening the development of such competencies.

*Proposition 3: The reflecting high level competencies in the promotion examination will be moderate the relationship between recent*
promotion and subsequent job performance, such that the negative effect of recent promotion to the high level required different competencies on an employee's subsequent job performance will be attenuated as the ratio of competencies required at the higher level is more reflected in the promotion examination.

Ⅲ. Conclusion

Promotion should be an effective tool for sustainable achievements to both individuals and organizations. Nevertheless, unexpected results sometimes occur, and the paradox of promotion can correspond to such a tragic case. Despite the possibility of this contradictory situation regarding promotion, previous studies except Lazear(1999) have paid little attention to this issue to date and, at my best knowledge, there is no empirical research related to this. However, this is the critical and practical issue for current organizations to consistently outperform in highly competitive and dynamic business environments. In this regard, drawing from Lazear(1999) and building on existing organizational learning, I pointed out the possibility of contradictory situations regarding promotion and suggested competency development and competency-based evaluation as two solutions to minimize the potential side effect of promotion. This study conceptually suggested contradictory phenomena regarding promotion as three propositions, yet future research is needed to test the validation of these two solutions through field studies. I hope that this study will be the meaningful starting point for facilitating follow-up research on this issue.
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승진의 역설: 과거의 학습이 미래의 적응을 보장하는가?

박 지성*

요 약

승진은 조직이 직원들의 자발적인 노력과 탁월한 성취에 대해 동기부여하고 조직 목표를 위해 필요한 바람직한 행위들이 무엇인지로 전달하는 대표적인 인적자원관리제도 중 하나이다. 일반적으로 승진은 과거 성과에 기반 하여 이루어지는데, 승진 이후의 수행 역량과 필요 역량이 이전에 수행하던 것들과 차이가 있을 경우 이전의 성과가 탁월하여 승진한 직원들이 승진 이후 오히려 제대로 성과를 내지 못하는 역설적 상황을 초래할 수 있다. 즉, 과거의 성취가 미래의 성공을 보장하지 못하는 승진의 역설이 발생하게 되는 것이다. 본 연구는 그 동안 상대적으로 다루어지지 않았던 승진의 역설 현상에 대해 논의하고, 이러한 역설적 현상으로 인한 역효과를 최소화하기 위한 연착륙 방안들로 역량 개발 교육과 역량 기반 평가를 제안하였다. 역량 개발 교육은 승진 이전에 잠재적인 승진 후보자들에게 승진 이후에 필요한 역량들을 향상할 수 있도록 사전에 교육훈련의 기회를 제공해 주는 것이며, 역량 기반 평가는 상대적으로 해당 년도에 대한 평가 결과인 성과평가 이외에 상위 직무 역량이나 리더십 관련 역량 등 평가 요소로 활용하여 구성원들이 이를 미리 개발할 수 있도록 하는 것을 말한다. 이와 관련된 논의들이 어떠한 측면에서 함의를 가지며, 향후 어떠한 측면에서 후속 연구에 시사점을 줄 것인지에 대해 결론 부분에서 논한다.

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