

Promotions: Is There a 'New Normal'?

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By Pamela Babcock

Experts say the economic downturn has led to a shift in how promotions are defined and handled at many organizations.

Seymour Adler, senior vice president with Aon Hewitt in New York, said the “new normal” for employers is a “flat structure, minimized managerial overhead, and fewer opportunities for hierarchical promotion opportunities, even for high-potentials.”

Promotions tend to be defined by a broadened scope of responsibilities, with a salary commensurate with those responsibilities—but no title change—at the companies Adler works with. This could include things like taking on “a global assignment, a turn-around situation, a start-up, a critical client or supply-chain partner relationship,” he explained.

Spelling Out Guidelines

A study published in December 2010 by WorldatWork revealed that most organizations (84 percent) define “promotion” as an increase to the employee’s pay grade, band or level. Seventy-three percent require that the employee assume a higher level of responsibilities, and one-third require the assignment of a new title.

One-third (32 percent) of the 936 U.S.-based compensation or total reward practitioners surveyed require that there be an increase to the employee’s pay grade, band or level as well as a higher level of responsibility in order to label a change as a promotion.

Yet that doesn’t mean employees understand how promotions work.

Only 22 percent of respondents said “they want all employees to fully understand promotional guidelines and policies.” Nearly two-thirds (63 percent) “only share guidelines when asked by employees” and 6 percent communicate guidelines only to employees “who are actually receiving a promotion.”

“There just seems to be a level of timidity or shyness on the part of organizations to really get out there and tell people what they have to do to be promoted,” said Kerry Chou, a senior practice leader at WorldatWork in Scottsdale, Ariz. “I think it kind of stems from the fact that HR has to be careful about the expectations that they create for people.”

Adler said that managers need to improve their ability to hold meaningful conversations with employees about their career aspirations. “I have been struck by how few managers can answer the question, ‘Where do each of your direct reports hope and expect to be in five years?’ Adler said. “Millennials—those in their 20s—care less about the formal titles; they care about opportunities to take on challenging work and build their network way more than formal titles.”

Whether an organization communicates its promotion guidelines or not, experts said that a thorough policy with clear definitions and eligibility guidance makes good business sense and can help ward off possible complaints from those passed over for promotions.

“My experience has been that many smaller companies—particularly entrepreneurial firms—don’t have these policies and simply give the job to someone that they know who they think is good when they don’t really know the capabilities of other employees,” said Mark S. Floyd, a partner in the labor and employment practice group at Walter & Haverfield in Cleveland.

"But in a large company, it's dangerous not to have a very well-defined promotion policy that basically says if we have a new position, it will be a new job title, new pay grade, and there will be specific posting requirements," Floyd added.

Internal Job Postings

Promotions spring from a variety of circumstances: employees apply for open positions, pitch a new title or higher pay to the boss or are simply recognized for great work. But Terry Henley, SPHR, director of compensation services at Employers Resource Association, a nonprofit serving 1,400 small and medium-size businesses in Ohio, Kentucky and Indiana, said "most progressive organizations" post their job openings internally, which provides the opportunity to implement a number of guidelines.

Henley and other experts recommend the use of internal postings, provided they have "sufficient detail from the job descriptions to let interested employees decide whether or not they meet the requirements.

"If people clearly do not meet the requirements, it has been my experience that they will 'self-eliminate' themselves from consideration," he said, "which allows them to save face and allows you to have clear reasons to tell employees why you are or are not considering them, should they apply."

Henley suggested that organizations:

- **Define what constitutes a promotion.** He suggested that promotions involve movement to a position at least one salary grade higher with an increase in salary of a set percentage, or movement to the next level of a step progression.
- **Establish eligibility requirements.** This could include things like minimum tenure within the organization, or in the current position, as well as a minimum performance rating on a previous review.
- **Require managers to review the job description, and revise it, if necessary.** If the requirements for the position have changed since the job was last filled, the organization should document why, Henley said, to ensure the requirements "are legally defensible" and "specific and rigorous enough" to attract only those the organization needs and wants and to disqualify those "who clearly could not meet the expectations."
- **Review the performance and history of all candidates vigorously,** "even if some or all of the candidates currently are in the department," Henley noted. And he recommends hiring only those who meet the requirements, unless nobody does and it's "your normal policy to promote from within whenever possible."
- **Review affirmative action goals,** the current mixture of employees relative to those goals, and seniority and "if, and only if, all other performance factors are equal, consider all of these factors."

"People can easily file complaints, not only if they feel they were the most qualified for a position, but also if they feel like they didn't even know about the position," Floyd noted. "If you want to lessen those claims, that's the best way to do so."

The Mayo Clinic

Katherine E. Karns, PHR, manager of human resources for the Mayo Clinic in Phoenix, Ariz., oversees the hiring of all clinical and nonclinical allied health staff. She said the majority of promotions among its 4,500-employees are "true promotions," meaning they have what she calls "the trifecta"—an increase in pay, a change in the pay scale and a different position, which typically includes a change in the job title and the actual work being performed.

Karns said the clinic "follows a competitive process" when it comes to allowing existing employees to apply for potential promotions. Managers are required to post positions for at least 72 hours internally, though that does not mean the job will not be posted externally at the same time, she added.

In addition to satisfying EEO requirements, the clinic's process encourages managers to go through the formal selection process with those people already in the department whom they deem qualified, just as they would for an external applicant.

"More often than not, there is more talent within the organization than the manager anticipated," Karns said.

"People are looking for career development and they value a fair and transparent process," she added. "And when they don't get the job, they really want the management to sit down with them and tell them why."

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