■ Training and Development

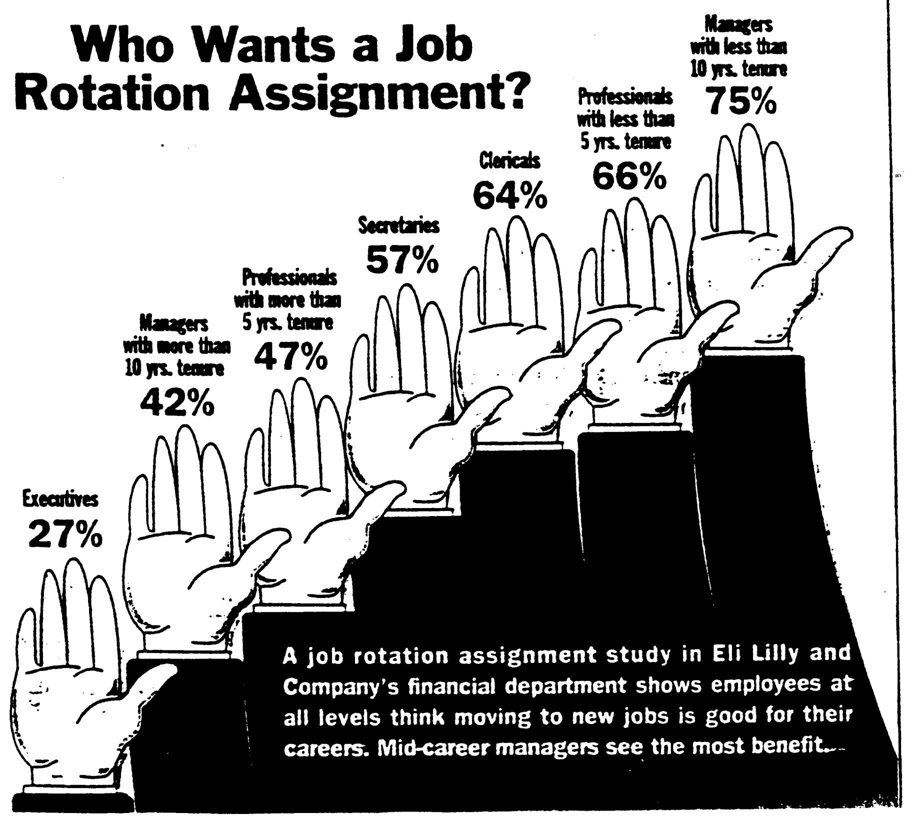
Study Clarifies Job-rotation Benefits

Finally, here's hard data on why it's a good corporate strategy to rotate people from job to job. A study of Eli Lilly and Company's financial workforce not only shows us what the training and career-development advantages of job rotation are, but also what its pitfalls are—and how to avoid them.

By Lisa Cheraskin and Michael A. Campion

For years, companies have been using job rotation, the systematic movement of employees from job to job within an organization, as a way to achieve many different human resources objectives—for simply staffing jobs, for orienting new employees, for preventing job boredom, and, finally, for training employees and enhancing their career development.

Up until now, we've intuitively known that it's good for both employees and employers to move people around an organization. It gets workers—especially management and pre-management employees—new skills and work experiences, it



A job rotation assignment study in Eli Lilly and Company's financial department shows employees at all levels think moving to new jobs is good for their careers. Mid-career managers see the most benefit.

ILLUSTRATIONS: TIM BARKER

creates openings for newcomers and last, but not least, it increases the knowledge base of an organization which usually translates directly into a more competitive company.

Until now, however, little objective data has been collected about how rotating individuals' work experiences contribute specifically to employees' training and development. But now there's more than intuition on which to build our knowledge about the benefits of job rotation. In 1989 and 1990, we conducted a study using Eli Lilly and Company as a test case to find out exactly what relationships there were between moving people to different jobs and their overall training and development. As the director of executive development for Indianapolis, Indiana-based Eli Lilly and Company and the professor of HR management at West Lafayette-based Purdue University, we both have a strong interest in the theory, practice and effect of job rotation on today's workforce.

The study confirmed that job rotation can—and should—be used as a proactive means of enhancing the value of work experience for the goals of training and development. Following is the data—and reasoning—to prove why it can be a valuable tool in helping employees gain the right skills and experience for today's competitive business environment.

Lilly has used job rotation for years. Eli Lilly and Company uses job rotation more than most other large organizations. While job rotation isn't a formal "program" at Lilly, rotating employees from job to job has, for many years, been viewed as an integral part of the company's culture of professional development. In fact, one of Lilly's strongest points in recruiting potential employees is its reputation for job rotation. And while job rotation is seen as a development benefit, moving people around the organization isn't required of every employee. But, as with all organizations, providing attractive employment options tends to increase overall employee satisfaction. This is definitely true at Lilly.

Studying job rotation in Lilly's finance department. Although job rotation has occurred throughout the company for years, we focused our study in one particular division of the organization—the financial component (department), which includes such areas as treasury, accounting and payroll. Basically, the study consisted of executive interviews, a training-needs assessment, a survey study of the costs and benefits of rotation and an analysis of employee work histories. (Please see the end of this article to obtain more information about how the survey was conducted.)

At the time of the study, the financial component consisted of approximately 500 workers. Most (84 percent) of these Lilly employees started in the financial component, although approximately 30 percent of the workers had had a nonfinancial assignment at one time or another —depending on their development needs and the organization's requirements. The study uncovered the fact that employees in the financial division take an average of one nonfinancial assignment during their careers, and that assignment usually lasts 1.5 years.

At the time of this study, most rotations consisted of lateral moves rather than vertical moves. The average number of years professional employees spent in each job was 3.1. The average number of years between promotions was 7.1. Those who reached manager or executive averaged 2.7 years in each rotation and 4.6 years in each job between promotions.

The financial component has a planning committee comprised of executives who meet monthly to coordinate job rotations for the component. The committee decides on job rotations based on the openings that come up, the development needs and interests of the employees, and the staffing requirements of the business. From there, all staffing decisions and job rotations are decided based on input from the individual's current supervisor, the hiring supervisor and an HR representative.

Three human resources representatives—a director, a manager and an associate—are members of this committee and serve multiple roles including making recommendations based on staffing and development needs, maintaining consistency in practices with the rest of the company and keeping the committee's records.

Who's most likely to rotate from job to job? Interestingly enough, our study tells us that employees' career stages, defined in terms of either tenure or age, are strongly related to their actual rotation rates. Interest in rotation was much greater among early-career managers, defined as having less than 10 years tenure as a manager. Our study determined that approximately 75 percent of early-career managers wanted rotations. And we found that approximately 66 percent of early-career professionals (primarily financial analysts and accountants with less than five years' tenure with the company) were also interested in rotating—specifically for training and development purposes.

Later-career managers (defined as having more than 10 years tenure), and especially executives, had far less interest in rotation—approximately 42 percent and 27 percent, respectively. And later-career managers at Lilly tended to rotate less often when they did rotate—usually waiting six years or more to change jobs.

Why? First, early-career employees are more interested in rotation than later-career managers because they usually perceive it to have a higher value to their

VITALS

ORGANIZATION
Eli Lilly and Company

INDUSTRY
Pharmaceuticals

HEADQUARTERS
Indianapolis

EMPLOYEES
27,700 worldwide

CHAIRMAN AND CEO
Randall L. Tobias

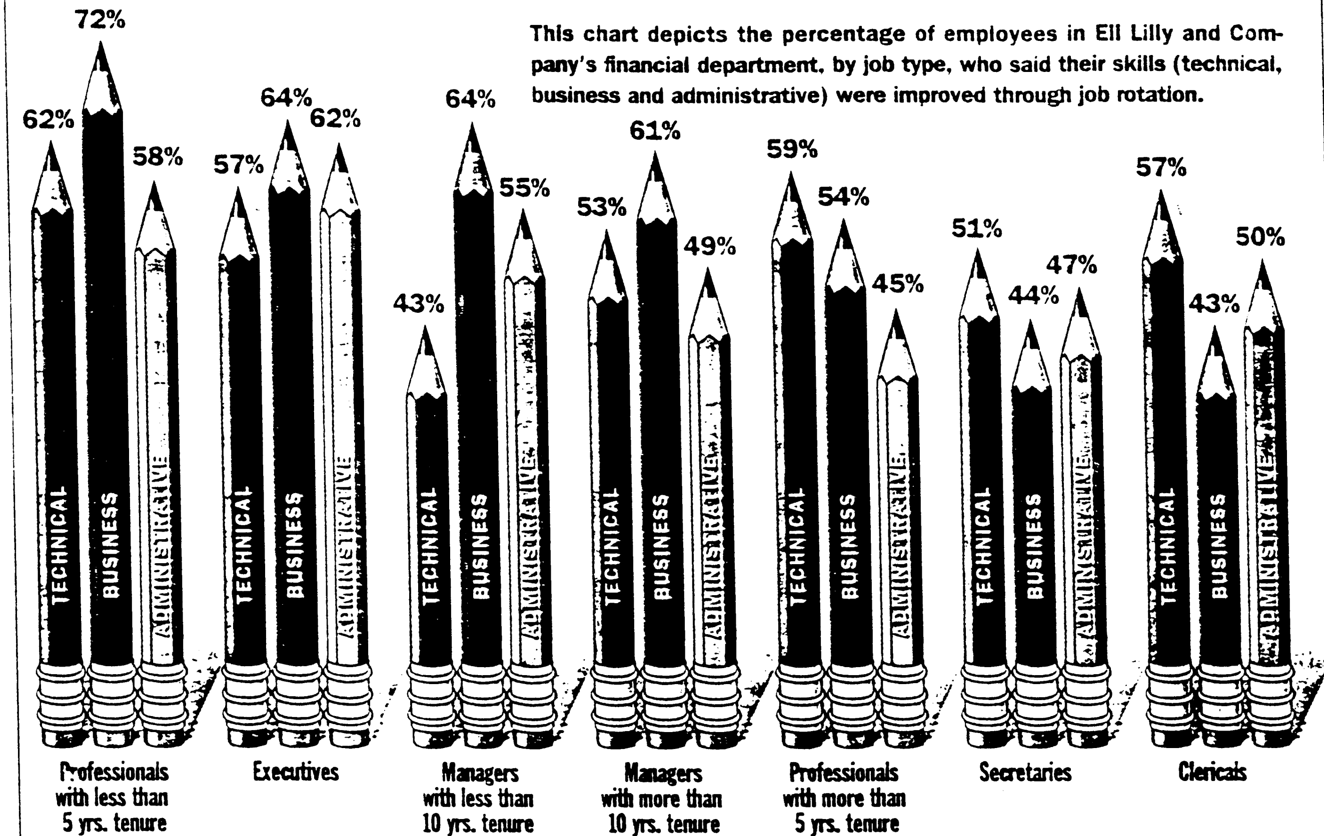
VP HR
Pedro Granadillo

OPERATIONS
Lilly has 68 affiliates and divides its research into five disease categories: central nervous system, endocrine, infectious, cardiovascular and cancer.

YOU SHOULD KNOW
Eli Lilly and Company is the winner of the 1996 PERSONNEL JOURNAL Optimas Award in the *Global Outlook* category. Please see the September 1996 issue to read about Lilly's strategy on global issues.

Sharpening Lilly's Financial Employees' Skills Through Job Rotation

This chart depicts the percentage of employees in Eli Lilly and Company's financial department, by job type, who said their skills (technical, business and administrative) were improved through job rotation.



careers. For example, people who are starting out in their careers typically are more eager to demonstrate their willingness to learn, to advance and to take on increasing responsibilities to enhance their skill development. And, overall, they have more to learn and benefit more from rotation experiences.

Another explanation is that senior managers who create rotation opportunities tend to view rotation as a better training investment for early-career employees because they see a longer payback period. These early-career employees tend to have more years ahead of them in which to demonstrate their developing skills and knowledge, and to benefit the organization overall.

Perhaps not surprisingly, we found that higher-performing employees seem to take on more job rotations. It's likely that for them, job rotations are used by their managers as a means of rewarding good employees and motivating future performance. And, senior managers probably see greater benefit from rotating better performers—the more skills employees demonstrate, the more their managers want them to learn and grow from additional assignments.

We also found that the nature of an employee's current job also influences his or her interest in rotation. The chart on page 31 shows the relationship between employees' interest in rotation and the groups of jobs available in Lilly's financial component.

Based on our research and interviews, we believe the greater interest of the early-career professionals may be because rotation is typically a primary method of developing managerial talent —the "promote pool" for new managers at Lilly. Likewise, early-career managers also see the link between rotation and promotion to higher levels.

Executives' lack of interest in job rotation may be related to the fact they generally have less to gain careerwise because they're already at the top of the promotional hierarchy. Another explanation may be that because they've already had many job assignments and rotations, they're tired of the rapid job movement.

It's interesting to note that Lilly also gives its clerical, secretarial and administrative assistants who work in Lilly's financial department the opportunity to participate in job rotation—and these employees demonstrate high levels of interest in doing so.

No differences were found in either rotation rates or rotation interest between employees of different education levels. This suggests that job rotation for training and development isn't limited to just employees with higher education. However, this may be unique to Lilly's culture in which rotation is common and educational levels are fairly high. Other organizations might find stronger correlations between employees' education levels and their interest in job rotation.

There are benefits and drawbacks to moving people around. Job rotation is valued by employees because of its association with measurable outcomes like promotion and salary growth. The study found a correlation between the speed of job rotation and the rate of promotion. This relationship motivates employees in several ways. For one, rotation can be a process of gaining experiences needed for promotion. In addition, the costs associated with rotation can lead employees to view it as an investment by the organization in their training. Finally, rotation can be a sign that a promotion is a step closer.

As a training and development tool, job rotation's primary advantage is employees' improved knowledge and skills. In fact, job rotation improves the three primary skills categories common to industrial training, which are technical business and administrative. Technical skills include knowledge of accounting, finance and operating procedures. Business skills include knowledge of the financial component and other departments that employees support, international issues, and knowledge of how the company operates. Administrative skills include planning, communication, interpersonal, leadership, cognitive and computer.

Although much good is gained by job rotation, there are two knowledge or skill areas that employees don't see job rotation improving: knowledge of the external business environment and how to develop others.

We think there are several explanations for this. One reason may be that newly rotated employees can often be too busy learning the job to learn how to develop others. And, developing others can take a long time. So, employees who are rotating rapidly might not be able to develop others on a long-term basis. However, the importance that rotating employees place on learning the skill of developing others can depend on many factors that aren't specifically job-related, such as whether their managers value it as a skill or whether they feel it's a skill they want to learn.

The effect of job rotation on skills acquisition depends partly on the types of jobs that employees hold at the time of their rotation. The chart on page 34 shows how rotation may enhance business skills more than technical and administrative skills. This is probably because it exposes

Eight Points You Need to Consider About Job Rotation

Here are some practical recommendations you should think about when considering a job rotation program at your organization.

1. Proactively manage job rotation as a component of your training and career-development system. Job rotation may be especially valuable for organizations that require firm-specific skills because it provides an incentive to organizations to promote from within.

2. Have a clear understanding of exactly which skills will be enhanced by placing an employee into the job-rotation process. Address skills that aren't enhanced by job rotation through specific training programs and management coaching.

3. Use job rotation for employees in nonexempt jobs, as well as for those in professional and managerial jobs. Job rotation may be of great value for developing employees in all types of jobs.

4. Use job rotation with later-career and plateaued employees, as well as with early-career employees. Some organizations may have the tendency to rotate employees too fast in early-career stages and too slow in later-career stages. Job rotation can be a good way to reduce the effects of the plateauing process by adding stimulation to employees' work.

5. You can use job rotation as a means of career development without necessarily granting promotions—so it may be especially useful for downsized organizations because it provides opportunities to develop and motivate employees.

6. Give special attention to the job rotation plans for female and minority employees. Recent federal equal employment opportunity legislation has recognized the importance of job rotation to promotional opportunities when examining the limited representation of minorities and females in executive jobs (called the "glass ceiling" effect). Title II of the Civil Rights Act of 1991 has ordered a commission to study the barriers and opportunities to executive advancement, specifically including job-rotation programs (Section 204, paragraph a5).

7. Link rotation with the career development planning process so that employees know the developmental needs addressed by each job assignment. Both job-related and development-related objectives should be defined jointly by the employee and the manager when the employee assumes a new position. The rate of rotation should be managed according to the time required to accomplish the goals of the job and the time required to achieve the developmental benefits of the job. The advantage of this approach is that both the employee and the manager will have a clear understanding of expectations and the required tenure on the job will be related to predetermined outcomes. Job rotation should be perceived as voluntary from the employee's point of view if it's going to have the intended developmental effects.

8. Implement specific methods of maximizing benefits and minimizing costs of rotation. Examples include increasing the benefits of organizational integration and stimulating work by carefully selecting jobs, increasing career and awareness benefits by ensuring that they're reflected in the development plans, decreasing workload costs by managing the timing of rotations, decreasing learning-curve costs by having good operating procedures, and decreasing the dissatisfaction of co-workers by helping them understand the role of job rotation in their own development plans.

—LC & MAC

employees to different organizational areas. However, this is only true for exempt employees. Conversely, our study showed that employees in nonexempt jobs may be able to enhance their technical skills more than their business and administrative skills.

This could be because those employees don't already have technical backgrounds—such as in accounting or finance. So, for them, job rotation is their primary way to acquire these skills. Also, nonexempt employees may have less need for business skills than employees in exempt jobs.

Lastly, our study and experience at Lilly showed that employees who rotate more often, or who are simply interested in rotating to other jobs, perceived greater improvement in the skills acquisition process. It's likely that experience with rotation enhances employee views about skills outcomes.

Employees notice better career benefits—but at a cost. Job rotation has many other career-management benefits as well as cost considerations. On the career side, there's career satisfaction, involvement and motivation in one's career. Plus there's enhanced employee commitment to stay with the company. Then there are opportunities for development and promotion.

There also are organizational integration benefits such as increasing employees' contact networks across the organization. Employees also attain a better understanding of strategic issues. Workers see more stimulating work benefits, such as the variety and challenges that come from new jobs. And, personnel gain awareness-related benefits, which means greater insight into their strengths, personal values and management styles.

Despite the benefits to people's careers, you can't overlook the costs associated with job rotation. First, job rotation may increase workload and decrease productivity for the rotating employee and for other employees. This cost also may result in a disruption of work flow and potentially focusing on short-term solutions to correct these problems. Next, there are costs associated with the learning curve on new jobs, including time spent learning, training costs and errors that employees often make while learning a new job.

There also are costs in terms of the satisfaction and motivation of other employees who aren't rotating. Initially, we expected to find that the satisfaction and motivation of these employees would increase from rotation, because it's a developmental activity that could also benefit them someday. This causes two issues: clarification of what we mean by other employees and an evolution in our promotion-from-within practices. While promotion from within is still a key practice at Lilly, we have had more mid-career hires in recent years.

Despite the career benefits, you can't overlook the costs associated with job rotation, like increased workloads.

Job rotation has its advantages—and challenges. The experiences at Eli Lilly and Company with job rotation have not been without some problems. Aside from the costs mentioned above, several other issues and challenges have emerged which probably aren't unique to Lilly's environment.

The most common complaint we heard was that employees rotated too fast and the organization seemed unable to slow down the rate. Ripple effects occurred in that filling openings through rotation created other openings. Since the study was completed, Lilly managers generally think they're better at managing the speed of rotation, largely because of enhanced succession-management practices.

In theory, an organization may have more jobs than employees for efficient rotation, but rotation allows all jobs to be filled most of the time (and many jobs to be vacant a small part of the time). This generally makes it difficult to slow down the rotation rate because then the level of understaffing is more apparent. This suggests a hidden advantage to rotation: Rotation may allow an organization to run lean on staff, while developing employee skills at the same time. As evidence of the savings, the organization's budgeting system includes a "replacement lag" item, wherein the budget of every component is reduced by a certain percentage (e.g., 3 percent) in anticipation of saved compensation from some jobs not being filled for a period of time every year.

Based on our study, we don't yet fully understand how job rotation fits into the larger system of training and development. That is, if we think about employee development as involving three general approaches—experience on the job (enhanced through job rotation), formal training programs, and coaching and counseling by management—then how does job rotation complement those training and development systems, and how should it be coordinated with these other approaches? For example, what skills are best addressed through job rotation vs. formal training programs or coaching, and what are the relative costs of developing skills through job rotation vs. other approaches?

We also don't yet fully understand how job rotation fits into other HR systems. The most obvious interaction is with the staffing system and how trade-offs are managed between training needs and staffing needs, and how appraisal systems are influenced by the more rapid movement of both employees and their managers. Currently, Lilly's HR management team is actively looking at its personnel needs for the future and exploring how competencies and selection processes—in addition to development, staffing and compensation practices—can be integrated and optimized to meet current and future needs. Job rotation is one piece of this complex system.

With the whole question of job rotation comes the notion of compensation. We found that it may be more difficult to administer, not only in the timing of raises vis-à-vis job movements, but also in determining the degree to which raises reward the breadth that comes from rotation vs. the depth that comes from specialization. The relationship to other formal reward mechanisms, such as promotions, must also clearly be linked.

The administration of the job rotation initiatives themselves must be worked out, including the roles of employees, managers and staff-planning personnel.

Job rotation must be integrated with the organization's HR strategy. In particular, an organization must understand that job rotation creates generalists rather than specialists. And, it must have other ways to get specialist skills, such as using vendors for specialist tasks or using different career-management systems in technical areas. The organization must make sure its skill needs correspond to those likely to be learned by job rotation. Job rotation may not always be the most appropriate training tool.

As HR professionals, we need to understand how job rotation may complement or replace the need for other workplace interventions. For example, job rotation may replace the need for job enrichment—which essentially means growing the job by adding increased responsibilities—to some extent. If rotation rates are slow, then jobs must be broader in scope (i.e., more enriched) to allow employees to grow in the jobs. Conversely, jobs can be narrower in scope in companies that rotate employees quickly. This is because job rotation has a similar positive effect on job features that are motivating as does enrichment—such as increasing job challenge, skills usage, task variety, etc. Job rotation may provide an alternative to job enrichment in that it's a way to motivate employees through job design without incurring requirements for higher compensation as a result of enriching jobs.

Finally, there's still a lot we can learn about the effects of job rotation on leadership. There may be higher costs involved when a department manager rotates than when a nonmanagement employee rotates. For example, a change in management might influence performance expectations, job assignments and department objectives. There also may be additional benefits for managers from rotation, such as enhanced credibility from having managed many areas of the firm.

Clearly, however, job rotation is one HR tool that shouldn't be overlooked in training and career development. There are strong advantages documented by this study, but there also may be others yet to be determined. It will depend on your organization's skill requirements, your employees' development needs and your business's overall goals. Our advice: Don't underestimate the power of a different job on employee performance. ■

Lisa Cheraskin is the director of executive development at Eli Lilly and Company.

Michael A. Campion is a professor of human resources management at Purdue University.

E-mail jjl@pjmag.com to forward comments to the editor.

For details on how the job rotation study at Lilly was conducted, please complete the *Business Center* card included in this issue (between pages 96 and 97) and completely darken box number 154.

For information on ordering reprints of this article, please see page 8.