

PDI Case Study on P.F. Chang's Talent Management Process

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A rapidly expanding company has many urgent, ASAP to-do's: find reliable suppliers, reach customers, deliver to them, follow up and pay bills. And then do it all again tomorrow, next week and forever.

But as it races far beyond its roots into dozens or hundreds of locations, how does it make sure it puts the right people in pivotal, make-or-break positions such as store manager? People who not only keep the doors open, but recreate the culture that enabled the company to outperform and show national potential in the first place?

In mid-2004 that was the challenge facing P.F. Chang's China Bistro, a rapidly expanding, full-service, upscale but casual restaurant chain that grew from its 1993 founding in Arizona to a publicly held company with 127 restaurants.

"I met with my bosses a year ago to start talking about how we identify our next generation of leaders," said Janet Coen, director of leadership development and succession planning for the company. "One of the goals was making sure we kept the culture alive, kept people engaged. It meant investing in our biggest resource – the folks who work for us – by finding the best talent and strategically developing them."

The leadership evaluation process needed to probe a lot deeper than pure financial performance, though the goal was obviously to find leaders who would drive sales and profitability. The company relied on its HR consultant, Personnel Decisions International (PDI), to help it find people who could support the culture *and* drive sustainable growth and profitability.

"Creating accountability for leadership practices is a much more abstract task than measuring store results," said Tom Daniel, PDI senior vice president and consultant to P.F. Chang's. "If you're only using the latter, your best managers in the worst locations are indistinguishable from your worst managers in the best. So how can you differentiate them?"

Leadership assessment and succession, always important, have an added measure of salience at P.F. Chang's, an organization that prides itself on fostering entrepreneurialism and creativity in its managers, as opposed to a checklist mentality that might be expected from a restaurant chain.

"This is an organization that is very dependent on its restaurant managers to prevent drift from the core elements of its brand, such as extraordinary customer service and quality products," said Daniel. "When they were smaller they had owners who knew the people, knew who might be best for what role. Now they have 127 restaurants and the tendency is for that personal touch to get lost between the top executives, multi-unit managers and restaurant managers. The question is how to maintain the right talent in critical leadership roles so that drift doesn't happen."

PDI's response was an online, 360-degree multi-rater instrument called TalentView(R) of Performance(TM) that has been used with about 50,000 people in a variety of industries since it was introduced two years ago. The 360 approach is nothing new, but PDI says TalentView is designed to be calibrated in such a way as to more precisely identify individuals fitting the profile the client desires. In this case, that meant identifying the leaders P.F. Chang's could be confident would be most likely to

serve as guardians of the entrepreneurial values and practices they deemed central to long-term success.

“The organization needs to be able to look across 127 restaurants and see where we feel best about our leadership and where we need to intervene,” said Coen. “Plus, while our people know exactly where they stand with respect to financial results, they also need to know how they’re viewed in terms of leadership practices and how that relates to our expectations.”

In summer 2005, P.F. Chang’s began to collect TalentView 360 reviews online for managers who had been with the company at least six months. The results produced a “scatter plot” graph for store managers, (called “operating partners” and general managers within P.F. Chang’s) and first-level multi-unit managers (called market partners), with financial performance verses expectations on the X-axis and ratings of leadership practices on the Y-axis. At a glance it was possible to stack and rank the mid-level leaders of the company.

“What this gives you is a 10,000-foot view of what’s going on in the business: who are the producers who aren’t leading?” said Daniel. “Are there stores performing above expectations in their market but for whatever reason the general manager is not using practices core to P.F. Chang’s culture? That might be a high-performing restaurant whose performance is at risk. So Janet can follow up and put leadership coaching in place for those leaders.

“Likewise, if you have a restaurant under-producing for the market under a high-potential leader who’s doing well from a leadership practices standpoint, that allows you to do levels of coaching in the marketing and financial functions. For people scoring low in both, it allows you to think in terms of 90- to 120-day action plans or more effective on-boarding for relatively new leaders.”

It’s too early to gauge the overall impact on P.F. Chang’s of the Talent View process, which has two purposes: 1) to give top management an in-depth look at the company’s leadership resources, stacked and ranked against each other; and 2) To create critical developmental feedback for all employees who participated in the initiative. Supervisors are sitting down with *every* person in these levels to engage in clear dialogues regarding feedback on their areas of strength and weakness and to drive the creation of actionable leadership development plans.

At another PDI client, however, PDI conducted research on 448 store managers from a Fortune 50 big-box retailer who completed the TalentView of Performance tool. Based on scores obtained from the evaluation process, the managers were classified as either “high performing,” “average” or “low performing.” At the same time, the retailer analyzed performance data for each store and ranked the stores according to financial performance and employee engagement. Compared to store managers with low performance scores, managers with high scores demonstrated:

- 43 percent higher employee engagement
- 13 percent higher store sales
- 32 percent higher store profitability

Coen noted that in a recent reorganization her firm promoted a significant number of younger managers to posts with multi-store responsibility, and to other ranking positions. The TalentView data will be valuable in leadership development work with them and with frontline and single-unit managers who would ultimately rise to higher positions, she said.

But even before long-term data are in about the relationship between leadership scores and financial performance -- and action plans put into place on the basis of them -- Coen has heard glowing responses from her troops.

“The feedback to me is that people are somewhat surprised because they’ve not had this kind of attention before, this kind of investment in their own growth within a company,” she said. “Their feeling is one of being really valued by the company.

“TalentView clarifies so well what is expected of them: piece by piece, what they need to work on to enhance their performance. It’s inspiring. People are often told to ‘be a better leader’ but this instrument actually gives people tremendous information on **how** to be a better leader.”
And a side effect of this, she said, is that the promotion process becomes more transparent, more trusted.

“People become cynical when they don’t understand the rhyme or reason to promotions,” she said. “Now they’re beginning to see that we have tools in place by which promotions happen. It’s not just who you know, but the result of our going out and searching out talent.”