

# Derailment: Impending dilemma for management

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*This research identified organizational environmental attributes that present great challenge and potential derailment as perceived by three levels of management in contracted managed services within acute care hospitals. ANOVA was used to determine if the three groups of management differed significantly in their responses to a questionnaire about the relative importance of the organizational environmental attributes.*

**M**anagers of hospitality operations oversee several diverse areas within their organizations. Examples of such positions include restaurant management, hotel management, and managerial positions within managed services companies. The diversity and complexity of the management challenges in these kinds of companies are continually increasing. Downsizings and elimination of broad layers of middle management have refashioned organizational structures. As the hospitality industry evolves, more and more

managers need to be multidisciplinary oriented. Many of these positions not only require managers to be skilled in the positions they oversee, but also to be able to train and manage teams outside of their major field of expertise.

As the demands of leadership in these environments have changed, so have the multiplicity of leadership skills necessary to meet those demands. Changes in these environments have shifted from technical certainties to dealing with complex, ambiguous leadership situations; from independence to interdependence and team-building; and from direct control to mutual awareness. Adding to the complexity of leadership roles are manpower cutbacks, mergers, and decreased budgets. Consequently, hospitality managers are assuming additional responsibilities.

With all of these challenges facing multi-department managers, derailment becomes a concern. Derailment in a managerial role is

defined as being involuntarily plateaued, demoted, or fired below the level of anticipated achievement or reaching that level only to fail unexpectedly.<sup>2</sup>

### **Healthcare changes**

One specific area that is witnessing great change, and is an example of increasing spans of control for management, is in the healthcare industry. There are 6,476 hospitals operating in the United States. Of these, 2,514 (38.8 percent) have outsourced services to managed service companies.<sup>3</sup> Traditionally, these hospitality managed service managers oversaw one or two departments within the hospitals (such as food service and tray delivery). However, hospital administrators are increasingly asking hospitality managed service companies to provide several other services for them in several areas as they seek to reduce costs in their facilities. Managers of a single department (such as food service) are being assigned supervision of other areas within the hospital in which they have no previous experience. Examples of this are patient transport, material handling, security, and biomedical engineering.

As more and more departments are added, multi-department managers have the task of training themselves while multi-skilling their subordinates in these areas. The success with which the manager provides these specified services to the client is the basis for his or her performance evaluation

and possible job retention. The multi-department manager is responsible for ensuring that the operating standards of the provided services meet contractor, client, and regulatory agency standards and operating requirements. These managers must effectively work with these increased spans of control as they navigate their organizations through uncertain and changing environments.

The derailment that may result because of these changing environments needs to be addressed. Through selection and development activities, organizations make large investments to ensure that managers are able to maintain a successful track. This investment can be in the form of energy, time, money, and training. If derailment occurs, part of that investment is lost. In addition, derailment can be devastating to the manager and severely impact the morale of the people he or she supervises.

### **Studies are infrequent**

Derailment at middle and upper levels of organizations have been an infrequent topic of study in management research. A few authors have provided a stimulus for research in the area of derailment. Hogan, et al., proposed that the base rate for managerial incompetence in America is between 60 and 75 percent.<sup>3</sup> DeVries estimated that from 1982 to 1992 the failure rate among senior executives in corporate America was at least 50 percent.<sup>4</sup>

Milliken-Davies, using data from a large aerospace organization, estimated a 50 percent base rate.<sup>5</sup> She collected critical incidents of managerial incompetence, which were rank-ordered by frequency. The most common complaints gathered involved managers' unwillingness to exercise authority (which characterized 20 percent of the 84 managers), and tyrannizing their subordinates, which characterized 16 percent of the sample. Shipper and Wilson, using data from 101 departments in a large southwestern hospital, reported that the base rate for incompetent management in that organization was 60 percent.<sup>6</sup>

McCall and Lombardo examined derailment by studying 40 Fortune 500 corporate executives.<sup>7</sup> Their research utilized interviews of executives who were perceived as having great potential to be highly successful in their careers; however, they were transferred, demoted, opted for early retirement, plateaued, or fired. Derailed executives were identified early as having "it" and ran up a string of successes in engineering, operations, or project management. About half the time they were seen as technical geniuses, or brilliant problem solvers, and were viewed as better than the competition. No particular characteristics seemed to differentiate them from those who eventually did succeed. However, derailed executives had at least two of the following characteristics:

- specific performance problems with the business
- insensitivity to others: an abrasive, intimidating, bullying style
- cold, aloof, arrogant
- betrayal of trust
- overmanaging - failing to delegate, or build a team
- overly ambitious - thinking of the next job, playing politics
- failing to staff effectively
- unable to think strategically
- unable to adapt to a boss with a different style
- overdependent on an advocate or a mentor

#### **Executives studied**

From an in-depth study of 15 executives, Kotter concluded that general managers who are less effective may realize that networking and agenda setting are critical to success but are not reflected in their behavior. He also noted that when personal characteristics were poorly fitted with job demands, performance suffered.<sup>8</sup> Gabarro studied how new general managers take charge in their new positions and noted that failed successions predominantly occurred when the manager lacked a relevant background and had troubled relationships with key people. Another pattern associated with derail-

ment was ineffective relationships with two out of the following three groups of people: peers, subordinates, and superiors.<sup>9</sup>

Morrison, White, and VanVelsor focused on derailment of women supervisors in 25 companies across a variety of industries. The study found that women who derailed were seen as exceptionally intelligent with good track records early in their careers. The study concluded that women who derailed were unable to adapt to a boss or culture, experienced performance problems, came across as overly ambitious, did not have the ability to lead, or were not oriented toward strategic planning.<sup>10</sup>

Lombardo, Ruderman, and McCauley used an inventory based on findings from several qualitative studies. Their research sought to explore the nature of the transition from middle to executive ranks. Ratings were obtained for 169 mid to upper-level managers in a multi-national company. Of the total sample, 83 managers were classified as derailed and were involuntarily terminated by the company between 1983 and 1985. The results of their study showed that bosses see derailers as being very different from those considered to be in the midst of a promising career. Scores on handling business complexity and organizational savvy scales were different for successful and derailed managers. Derailed individuals were much more likely to be seen

as lacking the cognitive capabilities or skills to handle complex business ventures, to think strategically, to make high-quality decisions in ambiguous circumstances, and to demonstrate needed political skills than were those who were successful. Their results also showed that scores on the leadership of subordinates and staffing scales were different for successful and derailed managers. Failure to direct, motivate, teach, develop, and select wisely were seen as associated with derailment.<sup>11</sup>

### **Dynamics shift**

VanVelsor and Leslie conducted research recently which determined that the actual dynamics of derailment seem to be shifting. These shifts reflect the changing and even more complex demands on managers in more highly matrixed and often downsized organizations. In particular, in the view of senior managers, the ability to adapt and develop in the face of change or transition was more important than ever before. It appeared to be a factor in two-thirds of all derailments both in Europe and the United States. One issue, strategic differences with management, was identified as the failure on the part of managers to adapt to changes in the market or the organizational culture. The research demonstrated that, as the organizational environment has grown more uncertain, it is becoming more important for managers to know how to deal with change and complexity.<sup>12</sup>

A major competency of today's management is the ability to understand issues in terms of the organizational environmental factors that impact the business. "Because there will be more and more varied factors, and in this ever-expanding range of factors some will have great impact, the ability to identify them and their relative importance is imperative."<sup>13</sup> It is these environmental organizational changes that this research addresses.

### **Managers are surveyed**

This research concentrated on attributes of the organizational environment within hospitals that may lead to derailment. The study involved three steps. First, personal interviews were conducted with seven managers of a major contractor of managed services. These individuals consisted of six multi-department managers and a district supervisor. Environmental attributes that pose extreme challenges to these managers were gleaned from the interviews. Second, a survey instrument was designed to determine if three groups of multi-department managers would perceive differently the degree of challenge offered by the organizational environmental areas. Third, the instrument was sent to managers who oversee 1 to 2, 3 to 4, and 5 or more departments.

The sample of multi-department managers selected was that of two large contract (managed services) companies within hospi-

tality managed services nationally. Because of the extreme challenges faced by these managers and the possibility of derailment, the two managed service companies were very interested in pursuing research that would closely look at environmental factors impacting multi-department managers within their organizations. The population for study was 493 managers. As noted by the research of Williams and DeMicco, there are approximately 2,056 managers working in managed services in hospitals in the United States.<sup>14</sup> The population of 493 for this study constituted approximately 24 percent of all contracted managed services managers in acute care hospitals in the nation. Survey participants were asked to rate on a scale of 1 to 10 the degree to which the variables present a challenge to their positions. For scale purposes, 1 represented "No impact" and 10 represented "Impact to a great extent."

Version 8.0 SPSS for Windows was the statistical software package used to analyze the data. The survey was anonymous and confidential, with only aggregate data supplied to senior management of the two participating companies.

Of the 493 surveys sent out, 196 useable surveys were returned, for a response rate of 40 percent. The largest group of completed surveys was represented by managers of 1 to 2 departments, with 132 completed surveys. The next largest group of completed

surveys was managers of 3 to 4 departments with 33. Managers of 5 or more departments provided 31 completed surveys.

The reliability program (Cronbach's alpha model) was used to examine the internal consistency of the survey instrument. The reliability test yielded an alpha of .81. This was above the .70 minimum recommended by Nunnally and was considered quite satisfactory.<sup>15</sup>

Survey participants were asked to provide information on gender, age, educational background, and years of managerial experience.

• **Male/female distribution:**

For managers of 1 to 2 departments, 46.2 percent were female, and 53.8 percent were male. For managers of 3 to 4 departments, 25 percent were female and 75 percent male. The largest disparity was for managers of 5 or more departments showing 12.1 percent female and 87.9 percent male. Given the more equal distribution of male to female in the management of 1 to 2 departments, as more of these managers assume the management of additional departments, the percentage of female to male for higher levels of multi-department management may see an increase.

• **Age of respondents:** The descriptive statistic of "years of age" for all groups of managers was fairly consistent, demonstrating that age may not necessarily have

an impact on number of departments managed. Managers of 1 to 2 departments had the largest concentration of ages (53.8 percent) in the 31-40 range and 34.1 percent as 41-50 years of age. Managers of 3 to 4 departments had 55.6 percent between 31-40 and 27.8 percent as 41-50. Managers of 5 or more departments reported 66.7 percent as 31-40 and 24.2 percent as 41-50 years of age.

As evidenced by the results, for all three groups of managers, the largest percentage of managers was in the 31-40 year age bracket. Also, there were no managers of 5 or more departments in the age bracket of 21-30.

• **Education:** With regard to education levels attained, for managers of 1 to 2 departments, 78.8 percent had a Bachelor's degree or higher. Managers of 3 to 4 departments reported 66.7 percent with a bachelor's degree or higher. But, for managers of 5 or more departments, a much higher percentage had at least a bachelor's degree (93.9 percent). In contrast, the largest percentage of managers with a master's degree was managers of 1 to 2 departments (23.5 percent), followed by managers of 3 to 4 departments (13.9 percent), and followed then by managers of 5 or more departments (12.1 percent).

• **Years of experience:** Some very key findings emerged when looking at years of overall "management experience" as well

as years in "healthcare management." The research showed that 28.1 percent of managers of 1 to 2 departments and 11.1 percent of managers of 3 to 4 departments had 10 or fewer years experience. However, 54.6 percent of managers of 5 or more departments had 10 or fewer years experience. Also of significant importance, for years in "healthcare management" some key findings resulted. While managers of 5 or more departments showed a higher percentage of managers with more than 7 years of healthcare management experience (i.e., 76.5 percent for managers of 1 to 2 departments; 77.8 percent for managers of 3 to 4 departments; 90.9 percent for managers of 5 or more departments), the reverse was true when considering much higher amounts of management experience in healthcare.

With regard to "years of experience in healthcare management," 43.9 percent of managers of 1 to 2 departments had 13 or more years', 30.6 percent of managers of 3 to 4 departments had less; and only 27.3 percent of managers of 5 or more departments had 13 or more years. While a solid base of experience is vital, higher levels of tenure do not necessarily lead to more elevated positions of management with increased spans of control. This brings into question whether the managers with far more tenure have careers that have plateaued.

### **Ranking by mean assessed**

Ranking by means by the three groups of managers, for organizational environmental attributes offering great challenge, produced differing results. Attributes were scored from 1, "No impact," to 10, "Impact to a great extent." Results are presented in Table 1.

All three groups differed on their number one ranking of organizational environmental attributes that offer a high degree of challenge. Managers of 1 to 2 departments considered the addition of two new departments to their domain within the next six months as the area that would provide the most challenge. This can be attributed to the fact that they currently are managing only 1 to 2 departments, and this would essentially double the number of departments that they manage. Hospitals will continue to turn over additional departments to managed service companies.<sup>16</sup> Managers of 1 or 2 departments must be prepared to take on these new responsibilities and often in quite a short period of time. For managers of several departments, this may not be considered as catastrophic.

Managers of 3 to 4 departments considered that a decrease in staff by 10 percent within the next 12 months would provide the most challenge. And managers of 5 or more departments ranked a hospital reorganization as providing the most challenge. From initial interviews with multi-department managers,

**Table 1**  
**Organizational environmental**  
**attributes that offer a high degree of challenge**

Area related to	Multiple-department managers						F	P-value
	1-2 depts. (n=132)		3-4 depts. (n=33)		5 or > depts. (n=31)			
	Mean	S.D.	Mean	S.D.	Mean	S.D.		
The hospital is sold or merged. . .	8.72	1.84	8.44	2.44	9.35	.98	2.12	0.12
You do not meet your financial goals for the current fiscal year. . .	8.62	1.37	8.44	1.61	9.26	1.03	3.41	0.05*
Your staff is decreased by 10 percent within the next 12 months and you need to maintain the same level of service. . . . .	8.42	1.98	8.61	1.96	8.97	1.11	1.09	0.34
The person of client liaison with whom you interact on behalf of the healthcare institution changes within the next 12 months. . . . .	8.24	2.01	8.03	2.24	8.90	1.51	1.83	0.16
Two new departments are added to your domain within the next six months. . . . .	8.91	1.58	8.36	1.88	8.68	1.74	1.59	0.21
Your budget is cut by 10 percent for the next fiscal year. . . . .	7.95	1.89	8.00	1.94	8.35	1.33	0.63	0.53
There is a lack of needed training materials for your staff over the next 12 months. . . . .	6.85	2.16	6.69	1.98	8.10	1.68	5.12	0.02*
There is a lack of needed training materials for managers over the next 12 months. . . . .	6.84	2.27	6.81	1.74	8.03	1.97	4.11	0.02*
Your direct supervisor of the managed services company that you work for changes within the next 12 months. . . . .	6.73	2.49	6.61	2.18	7.39	1.96	1.19	0.33

**Note:** Attributes scored from 1 “No impact” to 10 “Impact to a great extent. \*p<.05

interviewees addressed the issue of the need to have rapport with the client (hospital), particularly when managing several departments. These ties can be severed when a reorganization occurs.

In contrast, all three groups ranked "a change in immediate supervisor of the managed services company that you work for" as the least challenging area. Research by VanVelsor and Leslie on derailment dynamics over time found an absence of any mention of overdependence on a boss or mentor – an important derailment factor in earlier studies. They concluded that given the downsizing and turbulent environments in organizations today, overdependence on a single boss or mentor has become an anachronism.<sup>17</sup> Ironically, because of the rapid turnover of departments to contractors by hospitals, the multi-department manager initially becomes more familiar with the new departments and possesses more expertise in the fundamentals of the operation than their immediate supervisor. This finding was verified by the qualitative research findings of interviews with management. This presents a new phenomenon for the district supervisor/manager relationship.

In considering the top three areas ranked by the three groups, however, some were consistent across the groups. "The hospital has a reorganization" was mentioned in the top three rankings by all three groups. Those managing 1 to 2 departments, as

well as managers of 3 to 4 departments, ranked it second. Managers of 5 or more departments ranked it first in importance. Multi-department managers and their teams must interact on a daily basis with several functional areas within the hospital environment. Reorganizations can upset the balance of well-developed evolving relationships.

"You do not meet your financial goals for the current period" was also cited by all three groups in the first three rankings. Those managing 1 to 2 departments showed it as the third ranking. Managers of 3 to 4 departments, and managers of 5 or more departments showed it as the second ranking.

"Two new departments are added to your domain" was ranked number one for managers managing 1 to 2 departments and as number three for managers of 3 to 4 departments.

#### **ANOVA finds differences**

Analysis of Variance (ANOVA) General Linear Model (GLM) according to Scheffe's method was used to test whether the three distinct levels of management differed significantly on the organizational environmental attributes that offer great challenge. Scheffe's method was chosen because it does not require equal sample sizes. An alpha of .05 was used.

Whether the variance of the dependent variable was homogeneous across the three groups of managers for each of the dependent variables was tested using

Levene's test for equality of variance. The test for homogeneity of variance was rejected for two of the dependent variables ( $p < .05$ ); it was rejected for the area of environmental attribute, "You do not meet your financial goals for the current fiscal year," ( $p < .02$ ) and the environmental attribute, "The hospital is sold or merged" ( $p < .01$ ). These departures from the assumption of homogeneity of variance were not considered severe since ANOVA is fairly robust against such departures.<sup>18</sup> F-values were also derived and are shown in Table 1.

Distinguishing differences among responses of managers were found for three areas of organizational environmental attributes that provide great challenge. These three areas were as follows: "You do not meet your financial goals for the current fiscal year"; "There is a lack of needed training materials for your staff over the next 12 months"; and "There is a

lack of needed training materials for managers over the next 12 months" (as shown in Table 2).

Managers of 5 or more departments considered "You do not meet your financial goals for the current fiscal year" significantly more a challenge than did managers of 3 to 4 departments ( $p = .05$ ).

Managers of 5 or more departments considered "There is a lack of needed training materials for your staff over the next 12 months ( $p = .023$ )" and "There is a lack of needed training materials for managers over the next 12 months ( $p = .022$ )" significantly more of a challenge than managers of 1 to 2 departments.

From the research, it is evident that training for management and their subordinates provides extreme challenges as services are bundled under managed services. Proper training materials will play a pivotal role

**Table 2**  
**Significant differences of manager attitudes toward the degree of challenge of organizational environmental attributes**

	Multiple-department managers		
	1-2 depts. (n=132)	3-4 depts. (n=33)	5 or > depts. (n=31)
You do not meet your financial goals for the current fiscal year. . . . .	8.44	<	9.26
There is a lack of needed training materials for your staff over the next 12 months. . . . .	6.85	<	8.18
There is a lack of need training materials for management over the next 12 months. . . . .	6.84	<	8.03

**Note:** Scheffe's test used for pairwise comparisons,  $p < .05$ .

in how management multi-skill themselves and their employees in several competencies.

### **Study has implications**

As more departments and responsibility are added to the domain of multi-department managers, the impact of the challenges from the organizational environment increases. Organizations and their management must realize that as the demands of leadership have changed, so has what leaders need to be to meet these demands. A key finding of this research is that with the addition of departments these managers must very quickly train themselves and cross-train their employees in these new departments. And as managerial stakes increase, managerial unpreparedness can have an increased impact.

Another key finding was that managers of 5 or more departments had less elevated levels of tenure in healthcare management than the other two levels of management. Future research is needed to study situations where managers with fewer departments under their supervision may have careers that have actually plateaued in the eyes of their superiors and may not be considered as viable choices for assuming more responsibilities.

Organizations need to expose managers early to varied leadership challenges before the stakes are insurmountable. Letting go of personal achievement and deriving satisfaction from the

efforts of team-building can be very difficult for many managers. After being rewarded for years for individual achievement and direct control over the work of others, upper management must learn the difficult process of changing to more group-oriented accomplishments. By creating a productive learning environment, and taking into consideration critical transitions, organizations provide opportunities for managers to develop new strengths. These opportunities are key if managers are to gain experience and learn lessons that will help prevent their derailment.

### **Challenges are identified**

In light of the paucity of research focused on derailment and the factors that can lead to derailment for hospitality managers, this research has provided the first step in identifying areas of the organizational environment that pose significant challenges for managed services' managers in hospitals and how they impact different levels of management. Additional research is needed to more fully understand the organizational environmental factors that present the possibility of derailment for managers within other areas of hospitality management. Longitudinal studies are suggested to help determine the degree to which calculated managerial adjustments to changing organizational environments impact managers' careers positively.

In addition, research should

focus on those managers who have derailed. Studies of this type may provide explanations that unmask the complexities of these positions. As shown by previous research in other industries, some of those who derailed found themselves in a changed situation where strengths that had served them well earlier in their careers became liabilities that threw them off the track. Others found that weaknesses they'd had all along, but which had been outweighed by certain assets, were precisely the things needed as strengths in a new situation.<sup>19</sup>

The environment of hotels, restaurants, managed services, and other hospitality-industry businesses has changed considerably in the last 10 years and will continue to have considerable changes in the future. And with change, derailment is a fact of life in organizations. Downsizing has compounded the likelihood that even generally competent management will derail.

Derailed can be prevented, but only if organizations and their management have better insights into the actual developing issues within the organization. Monitoring the organizational environment can provide a useful lens to examine what is required of management. Focusing on what provides great challenge and thereby derails managers can be a tool for elucidating collective beliefs that management hold about what is important in the proper development of future leaders.

Success will be by those managers who, aware of the organization's expectations, and recognizing the additional organizational environmental factors impacting their business, seek the challenge, define the opportunities, and move forward into the future.

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