

Unpacking Prior Experience: How Career History Affects Job Performance in an Insurance Call Center

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The Portability of Prior Experience

- Common belief: More related work experience is always better than less
 - But, are there costs?
- Prior Experience → Performance relationship is not so easy to find empirically
 - Only 2 prior studies examine it with conflicting results
- What exactly transfers across the firm boundary?
 - + Knowledge and skill
 - “Baggage”

Related Work Experience Yields Useful Knowledge and Skill

- Labor economics
 - Recent studies in human capital find that experience in the same occupation or industry increases wages (Parent 2000; Ang & Slaughter 2002; Goldsmith & Veum 2002)
- Occupational psychology
 - Theoretical work proposes that related experience increases **knowledge and skill** at multiple levels, e.g. task, firm, industry (Quinones et al. 1995; Tesluk & Jacobs 1998)
- Transfer of learning
 - Transfer attempted when subject perceives similarity (Gick & Holyoak 1987; Barnett & Ceci 2002)
 - Transfer successful when old and new context share structural similarity (Singley & Anderson 1989)

H1: Prior related work experience positively affects performance through work-related knowledge and skill

But, what else are employees bringing with them?

- *“We tried to hire from our competitors, and paid a premium for the experience, but [those hires] were the least successful.”*
 - Senior Human Resource Manager, InsurCo
- *“People are weighed down by the baggage they bring in...”*
 - Claims Department Manager, InsurCo

“Baggage” Transfers Across Firm Boundaries

- Prior similar experiences can lead to rigid expectations about what constitutes good performance
 - Institutional norms and standards for occupations or industries (Van Maanen & Barley 1984; Chatman & Jehn 1994)
- Prior similar experiences can lead to misapplied routines
 - Cognitive schemas and scripts (Gioia & Poole 1984; Markus & Zajonc 1985)
 - Negative transfer of learning (Ellis 1965; Gick and Holyoak 1987; Singley & Anderson 1989)

H2: When knowledge and skill is controlled for, prior related experience negatively affects performance.

The Moderating Effect of Within-Firm Experience

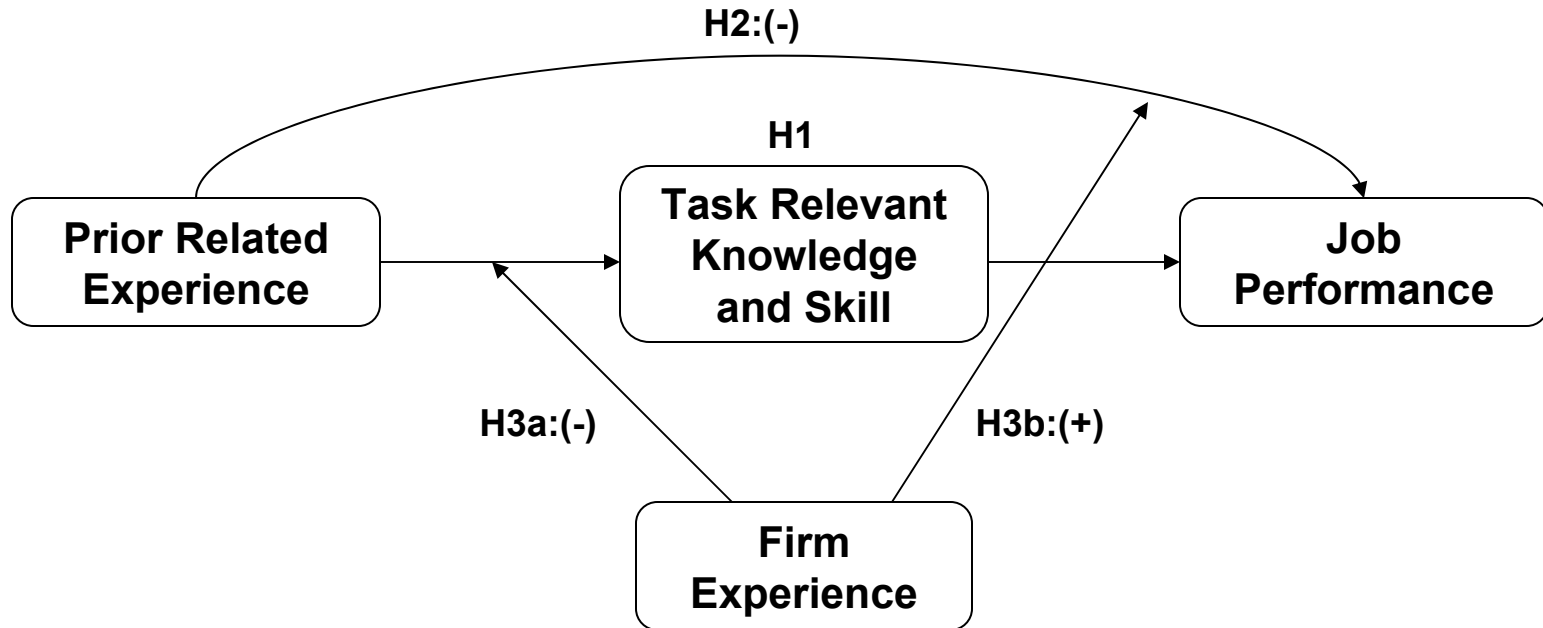
- Knowledge & Skill: Within firm learning supplants prior experience because it is more salient, thus the importance of prior experience on knowledge & skill diminishes

*H3a: The interaction between prior related experience and firm experience is negative, such that the positive relationship between prior experience and work-related **knowledge and skill** is weaker for employees with more experience within the firm*

- Performance: Old schemas & scripts are updated or replaced, thus the misapplication of routines & scripts diminishes

*H3b: The interaction between prior related experience and firm experience is positive, such that the negative relationship between prior experience and **performance** is weaker for employees with more experience within the firm*

The Model



- H1: The positive relationship between prior related experience and job performance is mediated by task-relevant knowledge and skill
- H2: When task-relevant knowledge and skill is controlled for, prior related experience negatively affects performance
- H3a: The interaction between prior related experience and firm experience is negative, such that the positive relationship between prior experience and task-relevant knowledge and skill is weaker for employees with more experience within the firm.
- H3b: The interaction between prior related experience and firm experience is positive, such that the negative relationship between prior experience and performance is weaker for employees with more experience within the firm.

The Setting and Data

- Two call centers of a U.S. P&C insurance firm
 - Claims adjusters (Adj), Claims assistants (CA), and Customer service representatives (CSR)
- Data are available from every **applicant** since centers opened five years to the data collection (n=1371)
 - 514 of these employed
- Data sources
 - Resumes
 - Job applications
 - Firm HR records
 - Internal job history
 - Performance reviews
 - Competency reviews
 - Supervisor survey

Analytical Approach

- 2-stage regression with sample bias correction (Heckman 1979)
 - Why? Otherwise, the sample is biased because people are selected into the organization based on prior experience
 - How does it work?
 - Stage 1: Selection from applicant pool (selection variables included experience, education, age, sex, referral and unemployment rate)
 - Stage 2: OLS analysis for prior experience, skills/knowledge and performance
- Explore rigidities arguments
 - Adaptability
 - Cultural fit
 - Unrelated experience
- Rule out alternative explanations
 - Poor performers move more than good performers
 - More experienced workers are subject to higher expectations

Measures

- Performance
 - Annual performance review ratings (1-6 scale; $\mu=4.3$)
- Task-relevant knowledge and skills
 - Competency assessment, averaged over 11 items (1-5 scale; $\mu =3.0$)
- Experience
 - Prior Occupational exp. (ln(months))
 - Prior Industry exp. (P&C insurance) (ln(months))
 - Firm: tenure in current firm (ln(months))

Controls

- Education, age, sex, location, job, referral hire, internal transfer

Major Results

	Job Performance	Knowledge & Skill	Job Performance	Knowledge & Skill	Job Performance
Prior occupational experience	-.03	.06*	-.06*	.28***	.07
Prior industry experience	.00	.01	-.01	.01	-.00
Knowledge & skill			.86***		.85***
Firm tenure X Prior occupational experience				-.06**	-.04
Controls (Including Firm Tenure)	Yes	Yes	Yes	Yes	Yes
Selection Model	Yes	Yes	Yes	Yes	Yes

H1

H2

H3a

H3b

H1: Sobel test $z=3.99$, $p<.001$

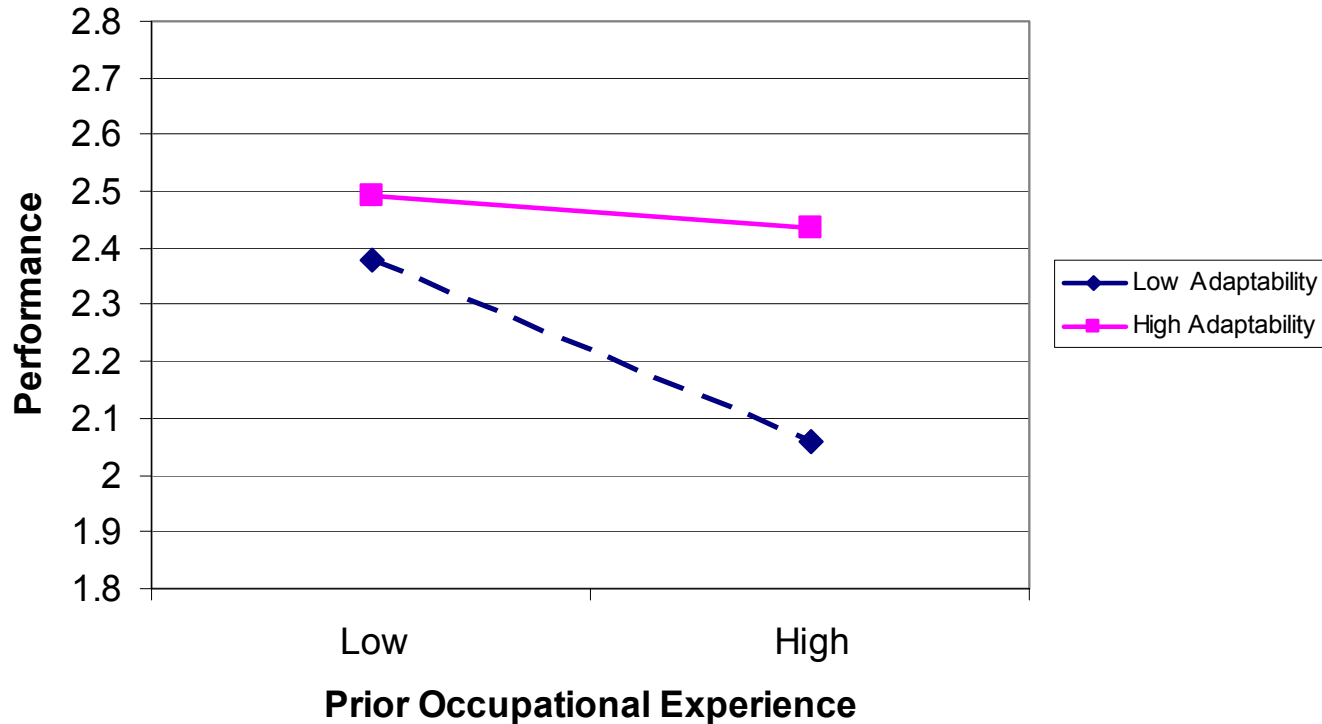
* $p<.05$
 ** $p<.01$
 *** $p<.001$

Exploratory Results

	Job Performance	Job Performance
Prior occupational experience	-.19*	-.30*
Prior industry experience	-.02	-.01
Knowledge & skill	.81***	.92***
Adaptability	.09*	
Adaptability X Prior occupational experience	.04*	
Cultural Fit		.06
Cultural Fit X Prior Occupational Experience		.08*
Controls	Yes	Yes
Selection Model	Yes	Yes

* p<.05
 ** p<.01
 *** p<.001

Interaction between Adaptability and Prior Experience on Performance



Interaction between Cultural Fit and Prior Experience on Performance



Contributions & Implications

- Unpack relationships between prior experience, knowledge and skill, and performance
 - Examine mediated relationship
- A closer look at effects of prior related experience
 - Assumed to be positive or neutral effect on performance, but we also show there is also a cost
- Methodological Contribution: Correct for selection bias using applicant data
 - Difficulties in getting this data may be one of the reasons research on prior experience is rarely done
- Implications: Organizations need to consider socialization and training for both inexperienced and experienced workers