



Human Resources

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Human Resources Guide

Table of Contents

1. **3226 2020 Workplace.qxd**
Jeanne C. Meister and Karie Willyerd
2. **35-30 What Keeps Leaders Up At Night**
Soundview Executive Book Summaries
3. **38BS06 The Decoded Company**
Soundview Executive Book Summaries
4. **39-05 The Future Workplace Experience**
Soundview Executive Book Summaries
5. **39-21 Victory Through Organization**
Soundview Executive Book Summaries
6. **Chasing Stars**
7. **Developing Employees Who Love to Learn**
Linda Honold
8. **Finding the Next Steve Jobs**
9. **Fire Your Hiring Habits**
Dr. John W. Mitchell
10. **Foolproof Hiring**
Brad Smart, Chirs Mursau
11. **Generations At Work**
Ron Zemke, Claire Raines, and Bob Filipc...
12. **Gig Mindset**
Paul Estes
13. **Growing Your Company's Leaders**
Robert M. Fulmer and Jay A. Conger
14. **HR From the Outside In**
15. **HR Transformation**
16. **Healing the Wounds**
17. **Hidden Value**
Charles A. O'Reilly III and Jeffrey Pfef...
18. **In Good Company**
Don Cohen and Laurence Prusak
19. **Keeping the People Who Keep You in Business**
Leigh Branham

Human Resources Guide · Table of Contents (continued)

- 20. **Marching Toward Coverage**
Rosemarie Day
- 21. **Play To Your Strengths**
Haig R. Nalbantian, Richard A. Guzzo, Da...
- 22. **Summary**
- 23. **Summary**
- 24. **Summary**
- 25. **Summary**
- 26. **Talent**
Tyler Cowen, Daniel Gross
- 27. **Talent Economics**
- 28. **Talent Tectonics**
Steven T. Hunt
- 29. **The 7 Hidden Reasons Employees Leave**
Leigh Branham
- 30. **The Canary Code**
Ludmila N. Praslova
- 31. **The Coming Jobs War**
- 32. **The Employee Experience Revolution**
John DiJulius, Dave Murray
- 33. **The Enduring Impact**
Kris Erickson
- 34. **The Enthusiastic Employee**
David Sirota, Louis A. Mischkind and Mic...
- 35. **The Expertise Economy**
Kelly Palmer and David Blake
- 36. **The First-Time Manager**
Jim McCormick
- 37. **The Good Ones**
Soundview Executive Book Summaries
- 38. **The HR Scorecard**
Brian E. Becker, Mark A. Huselid, and Da...
- 39. **The Headcount Solution**
N. Fredric Crandall and Marc J. Wallace ...

Human Resources Guide · Table of Contents (continued)

- 40. **The Inclusion Breakthrough**
- 41. **The New American Workplace**
James O'Tool and Edward E. Lawler III
- 42. **The Rare Find**
- 43. **The Retention Revolution**
Erica Keswin
- 44. **The Talent War**
Mike Sarraille and George Randle
- 45. **The War for Talent**
Ed Michaels, Helen Handfield-Jones, and ...
- 46. **Who Is the New How**
Justin Palmer and Jessica Schertz

· Book 1 of 46 ·

3226 2020 Workplace.qxd

Jeanne C. Meister and Karie Willyerd



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Human Resources:
Talent & Knowledge

The 2020 Workplace

How Innovative Companies Attract, Develop and Keep Tomorrow's Employees Today

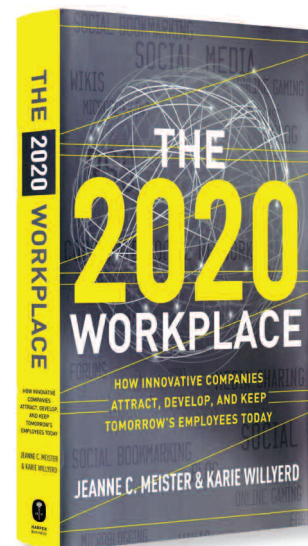
THE SUMMARY IN BRIEF

The workplace of the future is being shaped today by Web 2.0 — a collection of breakthrough social media technologies — and by the Millennial Generation, people born between 1977 and 1997. The convergence of these emerging workplace trends has created a generation of hyper-connected workers who are placing increased pressure on employers to overhaul their approach to talent management. *The 2020 Workplace* offers a practical game plan companies can use to attract and keep these employees.

Based on key findings from two important surveys of global professionals, as well as case studies from some of the world's most successful organizations, *The 2020 Workplace* shows how the social technologies that are used in marketing outside the company to connect with customers can be adapted for use inside the company to connect with employees. Authors Jeanne C. Meister and Karie Willyerd, two top talent management experts, bolster their thought-provoking research with real-world examples of these practices in action. They also describe the principles that leaders will need to develop to effectively engage employees in 2020. Offering 20 predictions for the future workplace, this summary is a guide to what companies should do — and are already doing — to create tomorrow's workplace of choice.

IN THIS SUMMARY, YOU WILL LEARN:

- How to transform your organization.
- How to achieve compelling business results.
- How to increase innovation and improve customer connectedness.
- How to compete more effectively in the global marketplace.
- What companies need to know — and do — to win and hold on to tomorrow's best employees.



by Jeanne C. Meister and
Karie Willyerd

CONTENTS

Ten Forces Shaping the Future Workplace Now
Page 2

Multiple Generations @ Work
Page 3

Principles of 2020 Engagement
Page 4

Social Recruiting Emerges
Page 5

The Social Learning Ecosystem
Page 6

Twenty Predictions for the 2020 Workplace
Page 7

Get Ready for the Future Workplace
Page 8

THE COMPLETE SUMMARY: THE 2020 WORKPLACE

by Jeanne C. Meister and Karie Willyerd

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The 2020 Workplace: How Innovative Companies Attract, Develop and Keep Tomorrow's Employees Today by Jeanne C. Meister and Karie Willyerd. Copyright © 2010 by Jeanne C. Meister and Karie Willyerd. Summarized by permission of the publisher, Harper Business, an Imprint of HarperCollins Publishers. 294 pages, \$26.99, ISBN 978-0-06-176327-4.

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Introduction: The 2020 Workplace

As we scan the workplace of the future, we see that everything we know about work — where we work, how we work, what skills we need to stay employable, what technologies we use to connect with colleagues — is changing. And these changes will only continue to accelerate as we move toward 2020 because the Millennial Generation, which refers to the 88 million people born between the years 1977 to 1997, will make up nearly half of the workforce by 2014. Employers must prepare now for this multigenerational workforce and, if organizations are to be ready, it will take the foresight and actions of those who are most responsible for preparing the leadership and employee implications of the organizational strategy.

The increased focus on talent is making the human resources function within organizations more integral to the organization's success. Do the top leaders of an organization realize this? Are you ready to embrace the future and create a workplace that the employees of the future will choose?

Here are some thoughts to consider:

- Never in the history of the modern world have there been four generations — much less five — in the workplace that bring such vastly different sets of values, beliefs and expectations.
- Never has a generation entered the workplace using technologies so far ahead of those adopted by its employer.
- Never has technology made it so possible to connect anyone anywhere asynchronously as a collaborator.
- Never before has society put as much pressure on organizations to be socially responsible.

The world of work is changing faster than ever. Thanks to the power of social media, we can all help one another as we transform for the future.

Ten Forces Shaping the Future Workplace Now

By the year 2020, the rules of the employee-employer contract will have to be rewritten by the best employers if they are to compete for top talent.

Companies will experience the most daunting challenges as they compete for the best talent in 2020 in order to maximize their organizations' success. Senior executives, keenly aware that the world around them is changing and already recruiting a new breed of employee, must adapt their workplace policies to appeal to all generations.

By looking at the road maps of birthrates, technological changes, social behaviors and the evolution of the knowledge economy, experts observe 10 global forces at work in the workplace to come in 2020:

- 1. Shifting workforce demographics.** Shifting demographics across the United States and the world will present significant challenges and opportunities. How companies prepare for these changes will be crucial to attracting, developing and keeping top talent.
- 2. The knowledge economy.** In the next five to 10 years, a growing number of jobs will require a significantly more complex set of interdisciplinary skills. How, where and when work is done is changing dramatically as more companies shift the composition of their workforces to lower-cost countries while creating a greater percentage of tacit jobs in the United States.
- 3. Globalization.** Changes in the world in which we



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Summary: THE 2020 WORKPLACE

live and work are happening at a rate that does not afford organizations the luxury of managing one major change at a time. This global workplace increasingly places a premium on speed to market, local decision making, collaboration and open-source innovation. Organizations that accomplish these goals will undoubtedly do so by leveraging an array of tools and technologies allowing employees the ability to share knowledge instantly and work in virtual teams.

4. The digital workplace. The rapid expansion of the digital universe — defined as information that is created, captured or replicated in digital form — will lead to tremendous challenges in the workplace for both individual employees and their employers.

5. The ubiquity of mobile technology. The Global System for Mobile Communications (GSM) projects that by 2012, there will be 4.5 billion mobile subscriptions out of a global population of 7 billion, and by 2020 mobile devices will be the primary way people access the Internet.

6. A culture of connectivity. The McKinsey global survey of executives from around the world reports significant value realized from social media deployments. Of the 1,700 executives surveyed, 69 percent gained measurable business benefits from using social media, including the implementation of more innovative products and services, more effective marketing, better access to knowledge, lower cost of doing business and higher revenues.

7. The participation society. How can companies improve collaboration and knowledge sharing to achieve improved business results? Increasingly, they are creating groundswells, a social trend whereby people use technologies to get the things they need from one another, rather than from traditional institutions.

8. Social learning. Learning 3.0, or social learning, incorporates social media, gaming, real-time feedback and simulations. Social learning yields new knowledge from a social interaction: a text message, a post on a Facebook wall, a comment on a blog post, a lecture accessed on a mobile phone or an insight gained from viewing and commenting on a YouTube video.

9. Corporate social responsibility. If learning is becoming social, so is corporate philanthropy, which is now business-driven and integrated into the social, ethical and environmental agendas of a growing number of companies.

10. Millennials in the workplace. Millennials, people born between 1977 and 1997, share a common trait: They have grown up using technology as part of their everyday lives, and they will expect employers to provide

Five Generations at Work

The 2007 population data from the U.S. Department of Census shows:

- *Traditionalists* include the 46 million people born before 1946.
- *Baby Boomers* include the 78 million people born between 1946 and 1964.
- *Generation X* includes the 50 million people born between 1965 and 1976.
- *Millennials* include the 88 million people born between 1977 and 1997.
- *Generation 2020* includes the 41 million people born after 1997.

them with the same tools to collaborate, brainstorm and network on the job that they use in their personal lives. ●

Multiple Generations @ Work

Whereas organizations have historically dealt with diversity in terms of race, gender, sexual orientation and physical disabilities, they will now also need to manage extreme age diversity as members of four, soon to be five, generations work together side by side.

While a record number of Millennials are entering the workplace, many older workers are returning to it. Because of the economic meltdown that began in 2008, many older workers simply cannot afford to retire. These workers may either stay in their current jobs longer or enter second careers, fulfilling long-held dreams when possible. Increasingly, the federal government is one sector that appears to be hiring older, more experienced workers.

Five Key Findings from ‘The Generations @ Work’ Survey

Each generation brings a different lens to the workplace. They have differing expectations for how they want to work, learn and communicate. The different lenses of each generation will impact the employer-employee relationship. Five findings from “The Generations @ Work” survey reveal how these preferences and expectations will play out in the future workplace:

1. Traditionalists and Baby Boomers are as likely as Millennials to be Web contributors. Members of all generations are engaging with and contributing to social media sites. However, Traditionalists and Baby Boomers are more likely to be active contributors to existing content, while Millennials focus on creating and publishing new content.

Summary: THE 2020 WORKPLACE

2. Baby Boomers and Generation Xers look for a work life/home life balance, while Millennials see work as “part of life.” Baby Boomers and Generation Xers place a high value on being able to blend their work and home lives, while Millennials consider work to be part of life. For Millennials, finding a balance between work life and home life seems “irrelevant,” in the words of one survey respondent, because “work is part of life, not separate from it.”

3. Millennials and Generation X place a high importance on working for a company that develops both their career and life skills.

Millennials and Generation Xers acknowledge that establishing oneself in a career is vastly different from going to school. What’s important to members of these two generations is being able to take advantage of company-funded training and development programs.

4. Millennials are likely to select an employer based on the ability to access the latest tools and technologies at work. Fifty-eight percent of Millennials and 52 percent of Generation Xers agree that having access to sites such as Facebook, LinkedIn and YouTube is a factor in selecting a new employer.

5. Both Traditionalists and Baby Boomers place high importance on a manager who understands age diversity in the workplace. Surprisingly, Traditionalists and Baby Boomers are the ones most concerned with working for a manager who values employees across all four generations. ●

Principles of 2020 Engagement

The 2020 workplace that engages employees effectively will have the following five principles resonating throughout its organizational practices. In respondents’ write-in comments from “The Generations @ Work” survey, these five terms were repeated over and over by people around the world, across industries and across generations:

1. Collaboration. As organizations become more complex, more global and more virtual, the need to ensure that the workplace culture reinforces collaboration across the entire enterprise becomes increasingly important. Traditionally, this has meant internal collaboration, including how people personally collaborate, as well as how the organization structures collaboration across teams. In the future, external collaboration will grow exponentially as a requirement, including working with suppliers, customers, consumers, government entities, nongovernmental organizations and local communities. Even today, organizations are putting executives into supplier companies for temporary assignments to strengthen

the total value chain to customers and provide accelerated leadership development for their own executives.

2. Authenticity. All the generations have been shaped by recent incidences of corporate excess, the use of political power for personal gain and incessant, pervasive marketing. The emerging requirements will demand that an organization harmonize its messaging across all aspects of its operations in a way that reflects its core “values in use,” as management expert and author Edgar Schein called them, as opposed to “professed values.”

Authenticity is of primary importance in building an organization’s values, brand and reputation. A necessary component of authenticity is transparency, and the best companies are already pioneering in this area, frequently using social media, through the use of techniques such as open financial books, blogging from CEOs to line employees, collective wikis and full disclosure on pay.

3. Personalization. No longer will it be possible to “process” all employees in the same way with nearly identical employment offers, career paths and benefits options. Even the concept of “processing” employees as they come into an organization suggests an antiquated assembly-line view of the employee relationship. Crafting an employee relationship that meets the needs of every generation at each life stage while providing them with the ability to attain their personal career goals will require organizations to use mass customization techniques usually reserved for consumers.

4. Innovation. The power of innovation is that it enables organizational and personal sustainability. Organizations that innovate are able to compete continually in the marketplace. People who work in innovative organizations are personally learning and advancing their skill sets to the leading edges of their domain expertise. Potential employees are attracted to organizations that have a renewable and energizing source of ideas for the future, putting pressure on organizations to also offer innovative practices aligned to organizational strategy. Innovative companies take traditional practices and turn them on their head.

5. Social connection. Employers will need to offer fun, engaging environments — whether virtual or physical — that satisfy the basic human need to be a member of a highly regarded community. A natural extension of providing a social environment is the use of social media tools and techniques to allow employees to connect with communities that will best enable their workplace performance and support their life interests. The presence of a vibrant, social workplace is of high importance for Millennials, as, among other things, they are seeking a

workplace with employees they can connect with on and off the job.

These five principles underlie the values, brand and reputation of a company, as well as the practice areas that can most affect the ability to engage the 2020 workforce. ●

Social Recruiting Emerges

Social recruiting is a practice that leverages social and professional networks, both online and offline, from both a candidate's perspective and the hiring side, to connect to, communicate with, engage, inform and attract future talent.

Since shifting workforce demographics mean that Millennials will be the dominant segment of the workforce in 2020, many companies are redefining the recruiting function to focus on social recruiting.

Rather than recruiting candidates on college campuses, companies are becoming virtual talent scouts and utilizing a range of social media tools, such as Facebook, YouTube, LinkedIn, Second Life and Twitter, to attract and engage tomorrow's workers. Recruiting heads are going where Millennials live — online — to find the people they need, many of whom may not be actively looking for a new opportunity. These social networks have become very influential in sourcing talent, establishing relationships with candidates and beginning a conversation with a wide range of influencers. After all, many prospective job candidates are proactively seeking employers that hold the same values they do: authenticity, personalization, collaboration, innovation and a desire for a social workplace.

Second, as companies go global, the recruiting function must lead the effort to source a global talent pool as efficiently and effectively as possible. This means creating a presence on Facebook or Second Life, so your company's recruiting can reach the more than 350 million people who now have profiles on social networks.

Third, the Internet has made it possible for most knowledge workers to be located far away from their employers' physical center. Designers, call center operators, salespeople, even many in the human resources department, can work effectively wherever they wish. In this mobile world, texting and instant messaging are surpassing other forms of communications in many countries, so recruiters must utilize these forms of communication as well.

Last, employers are recognizing how social and collaborative the world of work can be and are incorporating this into their job descriptions. For example, Best Buy recent-

ly advertised for a senior manager of emerging-media marketing, seeking job candidates with at least one year of active blogging experience, a graduate degree and more than 250 followers on Twitter. When the job description caused a stir in the blogosphere, Best Buy's chief marketing officer, Barry Judge, went one step further — he crowdsourced the job specifications by asking everyone who was interested in the job to help write the job description. The crowdsourced job description spoke to the traits of the social media revolution we are experiencing: humor, collaboration and authenticity. For instance, the revamped job description included a requirement that the senior manager understand a list of commonly used social media acronyms as well as fully understand all the capabilities of a smart phone. Best Buy is leading the way in using the strengths of the social Web to source and attract top talent. ●

Über-Connect Your Organization

Many companies are now becoming über-connected, meaning they are using a range of Web 2.0 tools associated with the social Web. Companies are embarking on this journey to *accelerate* how they find and capture knowledge, *broadcast* and share the knowledge of employees, *collaborate* with virtual teams of employees, *design* new products and *engage employees* more fully in the workplace. Über-connection is transforming how companies manage complex information, unleash innovation, accelerate speed to market and gain alignment throughout the enterprise.

This is not meant to imply that a company moves through every stage along the way. Rather, a company must understand its unique culture, how comfortable it is opening up the enterprise and what changes in the internal processes and company policies it needs to make to become über-connected.

The Stages of Über-Connection

Stage 1: Accelerate the capture of new knowledge.

Stage 2: Broadcast thought leadership. As companies expand around the globe, their employees need to disseminate knowledge and learn best practices from one another. They need to be able to find experts who can help them do their job.

Stage 3: Collaborate across the enterprise.

Stage 4: Design ways to increase innovation.

Stage 5: Engage with employees. Greater employee engagement in solving business problems is the most important reason why companies embrace über-connec-

Summary: THE 2020 WORKPLACE

tion. Deeply engaged employees stretch beyond the walls of their function and the boundaries of the company to engage customers. ●

The Social Learning Ecosystem

Social Learning can be defined as the acquisition of knowledge and skills through methods that are collaborative, immediate, relevant and presented in the context of an individual's unique work environment. Whereas Learning 1.0 relied heavily on classroom learning and Learning 2.0 added computer- and Web-based training, Social Learning incorporates social media, gaming, real-time feedback and advanced on-the-job methodologies.

The Model

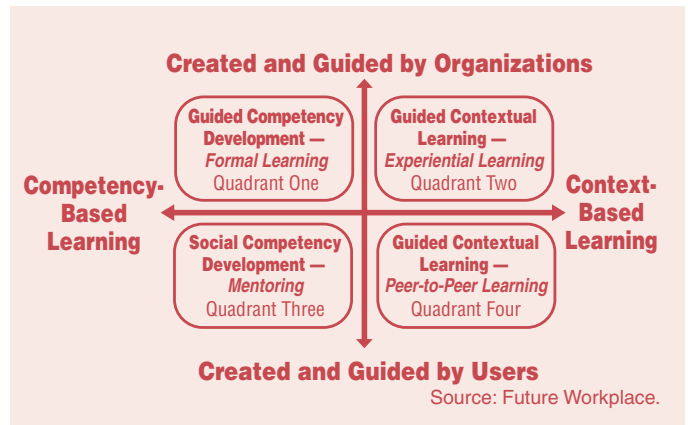
Since most organizations are resource constrained, a common way to develop talent has been to define broad sets of competencies, sometimes by roles and sometimes for the entire organization. Feedback systems are created to assess competencies, and then training is developed that maps out the most common needs in the organization. The Social Learning Ecosystem model [see chart at right] has four quadrants, with competency-based learning anchoring the left side and context-based learning anchoring the right. Context-based learning is the learning that occurs on the job and during the everyday performance of work. As a result, it tends to be more personalized. There is no clear cutoff point between the quadrants, and programs frequently span quadrants because most organizations customize some level of learning to the requirements of the jobs involved.

The upper quadrants of the model include learning that involves planning events, typically documented on an employee's development plans, and is created and endorsed by the organization. The programs that fall into these quadrants are generated by the organization through some formal channel and typically have been documented in an information system, such as a learning management system (LMS). The lower quadrants include the activities that happen when people learn from one another, a kind of learning frequently ignored by employee development plans. Learning in these quadrants is, by definition, both social and collaborative and can include a hidden curriculum — what is learned on the job in order to mesh in with the culture but is not often discussed publicly.

Online Social Software

Note that the programs in Quadrants Three and Four can frequently be fostered via online social software to enable learning to take place successfully. For example, an organization may create a 360-degree competency-based

instrument and develop a system for gathering input, but the real value of the tool is in what the participants add as content. Likewise, an organization might create a platform for enabling peer-to-peer learning, but it is meaningless without the participation and contributions of a critical mass of employees. ●



Accelerated Leadership

All of the principles of Workplace 2020 come together in leadership. Creating an environment that is collaborative, authentic, personalized, innovative and social requires leaders whose management behaviors create and reinforce that environment. In the world of 2020, with information about leaders freely shared through Twitter, text messages, IMs and hundreds of sites where employees can publicly rate their bosses, consistency and authenticity across what is said and done will become even more important.

Gary Hamel, a professor and management expert, predicts that in the future, “every employee will have a leadership score” based on ratings using social media and other input. The model of the 2020 leader emphasizes integration of leadership and management, which, when woven together, lead to consistency and trust in the workplace.

The Future of Management

In his call for action, *The Future of Management*, Hamel argues that the companies that succeed in the future will be those that innovate and adapt their management practices. Some of his principles for leaders include:

- Leaders are accountable to the governed.
- Everyone has a right to dissent.
- Leadership is distributed.

As we have democratized information through the growth of social media tools, our need for bureaucratic

Summary: THE 2020 WORKPLACE

hierarchies has been eliminated, and self-governing, involved employees have both the information and power to be involved in the organizational governance process.

Democratization of Information Changes Everything

The structures of management common to most organizations evolved in order to control and pass information from level to level in the hierarchy. New technologies have not only made that unnecessary but have also freed people from this hierarchy. The more management tries to exercise control of information, the more likely there will be a backlash. Not only does the front line get access to information, but the CEOs can now hear directly from customers. Brian Dunn, the CEO of Best Buy, says, "I ... have a program that searches the Internet anytime somebody mentions Best Buy out there. Sometimes it's really great things, sometimes it's obscenity-laden, but I have a huge appetite for it. If I see customers have problems with things, I will contact the appropriate person in our company and have them contact that customer. Sometimes I contact the customer." ●

Twenty Predictions for the 2020 Workplace

The 2020 workplace will be full of surprises. The best you can do is start today to adapt to, respond to and prepare for the wild cards that will surely be coming your way. So, to assist you, here are 20 trends predicted to occur in time for the 2020 workplace:

- 1. You will be hired and promoted based upon your reputation capital.** This is the sum total of your personal brand, your expertise and the breadth, depth and quality of your social networks.
- 2. Your mobile device will become your office, your classroom and your concierge.** Mobile phones and tablets will be the primary connection tool to the Internet for most people in the world in 2020.
- 3. The global talent shortage will be acute.** The global competition for highly qualified workers will take shape in 2020. The U.S. Department of Labor predicts that U.S.-based employers will need 30 million new college-educated workers in the next decade, while only 23 million young adults are expected to graduate from college in that period.
- 4. Recruiting will start on social networking sites.** Recruiting for the vast majority of professional jobs will start in one of the highly trafficked social networking sites, such as Facebook, LinkedIn, YouTube, Bebo, Twitter and Second Life.

5. Web commuters will force corporate offices to reinvent themselves. With the growth of corporate social tech, it will be irrelevant where employees work as long as they deliver results to the team.

6. Companies will hire entire teams. As teamwork becomes increasingly important in the global workplace, companies are seeing the value of hiring and training an entire team to tackle business problems.

7. Job requirements for CEOs will include blogging. Keeping in touch with customers, the marketplace and employees is an important role for CEOs.

8. The corporate curriculum will use video games, simulations and alternate reality games as key delivery modes.

9. A 2020 mindset will be required to thrive in a networked world. The 2020 mindset will incorporate abilities in social participation, thinking globally, ubiquitous learning and cross-cultural power.

10. Human resources' focus will move from outsourcing to crowdsourcing. "Crowdsourcing" refers to how companies, such as Lego, Procter & Gamble and Boeing, use the wisdom of crowds to develop solutions to R&D problems, designs for products and new ideas for businesses.

11. Corporate social networks will flourish and grow inside companies. Corporate participation in social networks may be as critical in the 2020 workplace as managing cash flow.

12. You will elect your leader. Companies that encourage employees to elect their leader will be seen as employers of choice, especially for team-oriented Millennials and Gen 2020s.

13. Lifelong learning will be a business requirement.

14. Work-life flexibility will replace work-life balance.

15. Companies will disclose their corporate social responsibility programs to attract and retain employees.

16. Diversity will be a business issue rather than a human resources issue. The shortage of multicultural talent in the workplace will be addressed as a strategic business priority rather than as a human resources mandate or to fulfill legal obligations.

17. The lines among marketing, communications and learning will blur.

18. Corporate app stores will offer ways to manage work and personal life better. As employees increasingly expect to be in control of all aspects of

their lives, companies will take a page from the enormously successful iPhone App Store and create corporate app stores to help employees better manage their lives at work and at home.

19. Social media literacy will be required for all employees.

20. Building a portfolio of contract jobs will be the path to obtaining permanent full-time employment. Top talent in specialized skill areas will have plenty of opportunities. ●

Get Ready for the Future Workplace

One of the simplest definitions of corporate culture is “the way we do things around here.” People who share common beliefs and assumptions in an organization, whether stated or not, are described as fitting into the culture. To build a culture that will enable performance at the highest levels in the 2020 workplace, HR should initiate the following now:

- **Adopt a global mindset.** Evaluate your global leadership mix; encourage early career global assignments. Ensure that promotions to executive positions reflect the global makeup of your customer and revenue base.
- **Build a reputation as being socially responsible.** Issue a corporate social responsibility (CSR) report as an addendum to the shareholders’ annual report. Ensure that your organization’s commitment to CSR is clear, quantitative and inspiring.
- **Become über-connected.** Develop advanced corporate communications using a range of social media, blogs, wikis, communities of practice and online corporate social networks to connect employees, enable mass collaboration and improve your company’s capabilities to innovate in the global marketplace.
- **Personalize the employee experience.** Develop a systematic and automatic capability to deliver a unique, tailored experience by offering a wide range of choices so that employees can self-select benefits and services to match their unique needs. Work with the IT function to allow employees to select their own desktop equipment and tools within a range of parameters.
- **Enable customer-focused innovation.** Expand the thinking of your employees to consider how to tap into the ideas of others. Encourage open innovation across all functions.
- **Champion openness and transparency.** Develop a bias toward full disclosure of the thought process leading to decisions that matter to the organization. Create a

What Is Crowdsourcing?

Crowdsourcing involves harnessing the skills of individuals through an open call for participation. These individuals, due to their enthusiasm, contribute content, do research and solve problems together.

forum that outlines a major decision the company is considering; allow employees to react and offer their ideas.

- **Emphasize learning agility.** Develop an ability at the organization level to acquire new knowledge and skills across functions to adapt to a changing environment. Insist on learning reviews after every major customer win or loss to determine causal factors and to build a common understanding for the next customer proposal.
- **Build citizen leadership.** Develop a pervasive approach that reinforces the principles of openness and democracy through access to information and social collaboration in order to deliver sustainability and integrity within the society in which the organization operates.
- **Drive systems thinking.** Design and connect systematically across functions and bodies of knowledge, understanding their interdependencies, to gain a competitive advantage at the organizational level.
- **Create an inclusive culture.** Build a welcoming corporate environment and employer brand that are sensitive to culture, ethnicity, race, age and other differences and that provide equitable access to opportunities, products and services for employees, suppliers and customers. Arrange to be reverse-mentored by someone as different from you as possible. Sponsor organizations and events that promote diversity and inclusion.

As Margaret Mead said, “Never doubt that a small group of thoughtful, committed individuals can change the world. Indeed, it’s the only thing that ever has.” Beginning with you and spreading to your team and like-minded friends and colleagues, you have the power to change. ●

RECOMMENDED READING LIST

If you liked *The 2020 Workplace*, you’ll also like:

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35-30 What Keeps Leaders Up At Night

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Learning to Succeed

Rethinking Corporate Education in a World of Unrelenting Change

THE SUMMARY IN BRIEF

Your company may be profitable today, with a solid product, plenty of buyers and healthy pricing. If so, congratulations — it's an enviable position.

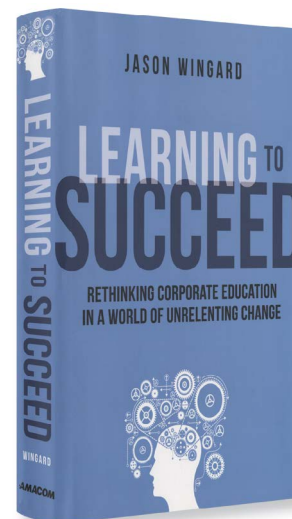
Now throw out everything you're planning to do to stay competitive. Your future survival means keeping pace with a world in flux, as expanding global markets, shorter and unpredictable business cycles and increased ROI pressures reshape industries and erode market share for even the most venerable companies. "Cheaper, bigger, faster and newer" are the imperatives driving organizations, no matter how thinly spread their people and resources.

So how can your organization stay ahead of competitors ready to spring from any corner of the globe? *Learning to Succeed* provides a deceptively simple yet effective solution: Become a dynamic learning organization that actively embraces learning across the ranks, from the executive offices to the mailroom.

Expanding on Peter M. Senge's *The Fifth Discipline*, corporate learning expert Jason Wingard draws from hundreds of interviews with senior executives, surveys and questionnaires with division heads and business unit managers, and personal observations at companies big and small to show that corporate learning is not just an "intangible" hit-or-miss pursuit. It's a critical shift achieved through careful implementation — and the most reliable solution for anticipating change, shifting gears and thriving in our fast-paced world.

IN THIS SUMMARY, YOU WILL LEARN:

- The pressures and opportunities of the global marketplace.
- How to supply a Continuous Integration of Learning and Strategy model.
- How to create a culture of excellence that attracts and retains top talent and nurtures manager effectiveness.



by Jason Wingard, Ph.D.

CONTENTS

The New Normal

Page 2

An Integration Formula

Page 3

A Programming Framework

Page 4

Understanding Barriers to Change

Page 5

ROL: Return on Learning

Page 6

The Competitive Edge

Page 7

Integration in Practice: Comcast and Sears

Page 7

THE COMPLETE SUMMARY: LEARNING TO SUCCEED

by Jason Wingard, Ph.D.

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Learning to Succeed: Rethinking Corporate Education in a World of Unrelenting Change by Jason Wingard. Copyright © 2015 by Jason Wingard. Summarized by permission of the publisher, AMACOM, a division of American Management Association, Intl. 186 pages, \$29.95, ISBN 978-0-8144-3413-0. Summary copyright © 2015 by Soundview Executive Book Summaries® www.summary.com, 1-800-SUMMARY. For more on Jason Wingard follow him on Twitter. @JasonWingard.

Introduction

Companies grow. They change, they mature and they expand, depending on a multitude of dependent and independent variables. Some companies transform themselves in response to such factors as shifts in the marketplace, new technology, new leadership or new investment partners. What determines the long-term success of any company is its ability to set strategic goals to address the ever-shifting business environment. In order for a company to make the decisions that will ensure its future, a dedication to corporate learning initiatives is essential.

For the most successful companies, regardless of size or industry, an ongoing commitment to becoming a dynamic learning organization drives their ability to position themselves ahead of the curve and remain competitive.

The future lies in self-assessment and innovation, staying nimble and ready to find solutions to whatever set of challenges arise. In other words, businesses that want to thrive need to become learning organizations. ●

The New Normal

The global landscape for business has changed. Many of the operating models that held true for generations no longer apply in the fast-paced world of contemporary commerce. From day-old startups to centuries-old brands to the new giants of information technology, the impact is the same: Survival requires keeping up with the pace of change. Any business that wants to win has to exceed that pace.

In order to keep pace with change, smart companies depend on communication and information manage-

ment. Staying on top of best practices in their industry and instituting them effectively in their organizations gives them an edge. For any business organization to be successful, it needs to be an organization that *learns* from both its own mistakes and successes as well as from those of its competitors.

Corporate learning is the key to success in today's data-driven, hyperintegrated world.

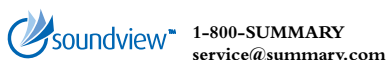
New Business Environment

What are some of the most powerful forces in today's business environment, and how can corporate learning help businesses overcome the challenges those forces pose? How can learning organizations harness these forces to their advantage? The answers to these basic but important questions require knowing what the forces are and how they affect the current business environment.

Expanding Global Market. A new, highly competitive global reality is dominating the business marketplace. No longer can businesses expect to "own" a regional or domestic market to which they provide products or services. Globalization of both management and service has become the new standard. Learning to adapt to global expansion through structural alignment and outreach is critical to gaining a competitive advantage.

Increased understanding and acceptance of cultural differences and similarities that help professional relationships to flourish have replaced parochialism. Businesses must take cultural practices into consideration. Learning to leverage communication and culture for competitive advantage is critical.

As businesses diversify and decentralize their operations to meet globalized demand, they depend on technologies to manage and support dispersed enterprises. Computer



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Rebecca Clement, Publisher; Sarah Dayton, Editor in Chief; Ashleigh Imus, Senior Editor; Amanda Langen, Graphic Designer; Carissa Bobenchik, Contributing Editor

SUMMARY: LEARNING TO SUCCEED

programming and logistics algorithms are enabling more efficient physical transport of goods and services.

As the expansion of global markets continues to accelerate, any company that wants to maximize revenue must reset its sights on clients and customers they never would have imagined existed in the past. Learning to leverage networks for growth and competitive advantage is critical.

Shorter and Unpredictable Business Cycles. The sooner a company gets a product on the shelf or unveils a new service methodology or is able to respond to a complex RFP (Request For Proposal), the more likely it will be able to fend off competitors and survive. The constant pressure to decrease the time-to-market of new products and new versions of existing products requires that businesses integrate time-saving and efficiency-improving technology and methodologies of product development and marketing.

In today's global economy, sociopolitical events affect the entire business community more quickly and deeply than ever before. Unexpected or uncontrollable market forces can wreak havoc on planned business cycles. Learning to develop flexible systems to respond to unexpected scenarios is critical for competitive advantage.

Increased ROI Pressure. In an era of such unprecedented and intense competition, companies need more immediate and stronger returns on their investments. Cost-cutting to meet top-line financial goals and enhanced productivity strategies are leading priorities for large and small companies in the postrecession climate.

As efficiency and ROI pressure remain the primary goals of large and small firms alike, the focus on reducing operating costs and optimizing workforce productivity become the short-term strategies that overshadow any long-term objectives. Learning to execute short-term priorities for ROI while still forecasting and planning longer term priorities is critical for competitive advantage.

New Priorities

While the specific goals vary by industry and within separate companies, the new priority is clear: Align resources to achieve more with less to support aggressive quarterly profit expectations.

Perhaps the most aggressive strategy companies use to react to the changing business environment is the targeted investment of capital in prioritized categories of operations. Relational areas include people (staff) and vendors, customers and clients. The investments are used to directly enhance market position in the face of increased competition.

Although spending on new or upgraded technology may, at times, seem excessive during cycles of tight budgets, the solutions they create actually justify the expenditure through greater efficiency of communication and systems management.

Learning to direct investments to targeted functions and populations in a company's professional ecosystem make a big difference in contributions to the bottom line.

CILS as Vital

Corporate learning is an organization's most important strategic partner. The Continuous Integration of Learning and Strategy (CILS) process defines the relationships between strategic planning and corporate learning as fundamental partners. This consistent, constantly evolving collaboration during every step, from strategy development through implementation and back to redevelopment, is vital to contemporary business for two major reasons:

- Corporate learning initiatives, built on an integrated framework, serve as an invaluable "reality" check regarding the creation of practical strategic goals.
- Corporate learning offers a detailed understanding of how to allocate resources cost effectively to make the stipulated goals a reality. ●

An Integration Formula

CILS is the key to long-term business success. Regardless of size and organizational structure, all companies have two things in common: growth through profitability and the need for information to help them achieve these goals.

In order for a company to transform into an active learning organization, its management needs to recognize the benefit of the integration of corporate learning initiatives into the long-term strategic planning of the company. The reason is clear: The learning initiatives are critical to the representation, advocacy and oversight of the learning segment of any company's strategic goals.

In large companies, a designated Chief Learning Officer (CLO) is responsible for this ongoing initiative. In smaller companies, this function is usually handled by a variety of managers, often in conjunction with Human Resources.

For a company to implement CILS, its management needs to follow a specific integration process. The effective CILS formula may be described as *Quadrant Profile Mapping + Structural Foundation + Content Components + Assessment/Alignment/Execution + Evaluation = Continuous Integration of Learning and Strategy (CILS)*.

SUMMARY: LEARNING TO SUCCEED

The office of the CLO needs to be responsible for the learning initiatives that will affect the strategy of the company-at-large in whatever form is best for the corporation. The office of Human Resources, working with the CLO, needs to be responsible for the employee management as well as the construction and implementation of the agreed-upon programs.

Leadership Role

In order for a company to transform into an active learning organization, the CEO and Board of Directors need to recognize the need for a senior learning executive to be part of the C-suite. These executives are critical for the representation, advocacy and oversight of the learning part of the “integrating learning and strategy” equation.

Goal Setting and Priority. In the CILS process, developing a strategy requires setting goals. One of the key responsibilities of the Chief Learning Officer is to distill this information from up and down the information chain and present it in the context of the decision-making process. The CLO is also responsible for managing a learning team and external vendors who, when combined with this team, provide the infrastructure for carrying out a CILS approach.

Thought Leader and Practitioner. In addition to management responsibilities, the CLO is expected to be a thought leader in the learning and leadership development space.

Performance Management Monitor. The final role of the CLO is monitoring performance management. Performance management is whatever process an organization uses to ensure that goals are being met by staff and individual contributions are being evaluated.

If learning is valued by the entire company and if everyone expects it to be available and to work, then learning must permeate a company’s culture. It must also solidify the foundation that requires strategy to be reinforced by active and updated learning. Once staff members are used to participating in sponsored programs, they will also learn to seek their own development opportunities through alternative outlets. Whether these experiences broaden knowledge in a way that directly benefits their job performance or not, it is critical to building a corporate culture of learning and development. ●

A Programming Framework

For corporate learning to be an integral part of a company’s strategic path forward, it should not exist as a

collection of training events or activities strung together by time and place, an ongoing reaction to just-in-time requests from key stakeholders in the business, or a catalogue of courses or topical menu of programs. Rather, all initiatives in a corporation’s arsenal of offerings should be mapped against a framework that organizes and categorizes them in such a way that the ultimate purpose — supporting strategy development and execution — is optimally fulfilled.

A useful framework for corporate learning is based on the three foundational pillars: Thought Leadership and Insights, Development Programs and Advisory Services. Each pillar contains a collection of components that should, in aggregate, comprise the total portfolio of a company’s learning initiatives.

Thought Leadership and Insights

This category is quickly becoming the most critical component in the learning agenda of global companies seeking to provide employees with new knowledge. It includes new information, resources and tools — gleaned from research, best practices or personal experiences — across topic areas.

Convenings. One way companies can introduce general insights to staff is through functional convenings. Gatherings of groups of people are an ideal way to introduce almost any topic area and take learning to scale very quickly. Conferences, summits, forums, roundtables and interview panels are methods that companies can use to expose participants to management and operations topics.

Content Development. Content is king and should anchor the office of the CLO. Indices and benchmarks are tools that can be used to organize useful data for learning. A powerful method to deliver applied content is benchmarking, or the process of aspiring to a standard of excellence in any given field. Comparing similar processes provides the basis for thinking about strategies for improvement in the parent organization.

Sourcing. Distributing thought leadership content through live, in-person conferences and forums has high design value and can often scale to fairly large audiences. However, for maximum scalability and accessibility, an asynchronous distribution approach is even better. “Learning portals” are specialized company intranets that can house content and offerings for the whole learning function and are appropriate for showcasing thought leadership and insights content.

Development Programs

Professionals are most familiar with learning initiatives in this category, as they are most clearly aligned with

SUMMARY: LEARNING TO SUCCEED

traditional corporate training. It is important to remember, however, that a smorgasbord of basic, stand-alone training offerings is not an effective structure to accomplish CILS. What is needed are organized designs for targeted populations based on a foundational learning framework.

Cohort. Every company develops a unique network of distinct employee communities inside its general organizational structure. Each of these cohorts has their own set of shared concerns, expectations and goals. Since the shared values of these groups can have a significant impact on the effectiveness of any company, development programs designed to address these values serve to strengthen performance.

High Potential. In every organization, there are groups of rising stars who are destined to become the next-level leaders in the company. For these individuals, customized development is needed to prepare them for increased responsibility, particularly because most have exceeded expectations as individual contributors.

Targeted. As new business needs and strategic priorities arise, specific development programs are needed to address them. After a merger or acquisition, for example, distinctly different cultures need to align and start working together with common policies. Cultural integration training that addresses practices such as communication styles and processes, procedural norms and strategy cascading can subvert many alignment-related issues.

Advisory Services

Advisory services, the third pillar of the framework criteria for successful CILS Advisory work, is typically done one-on-one or in small groups and invokes more of a consultative methodology versus teaching approach. This important component of the framework is particularly useful for gathering data, customizing individual design plans and setting up ongoing implementation as learners face new challenges and situations that require support.

Assessment. In order to determine what skills a particular individual or team needs, a range of diagnostics are necessary. Learning managers work closely with their partners in Human Resources to implement assessment programs to address any gaps and find solutions. Assessment tactics are also necessary for career development and succession planning. Staff development advisory services is an effective method of retaining the best and brightest performers in the company.

Mentoring. Mentoring is another significant tool of advisory services that is supported in organizations large and small to develop and retain staff. It is an effective use of internal personnel resources with little or no dedicated

cost to the company. Peer mentoring is an effective component in the success of the development of new employees as well. ●

Understanding Barriers to Change

If there is one constant about human behavior, it is resistance to change. This is particularly true in business, particularly as we seek to understand the obstacles to the changes represented by implementing CILS in an organization. Whether it is a multinational conglomerate or a corner store, there are two basic sets of obstacles: culture and cost.

The Culture Gap

Corporate culture can be an asset to CILS. Successful companies have built their fortunes on the integrity of their unique cultures. For many organizations, the concept of a learning organization or the presence of any formal development initiatives is foreign. A culture that has been devoid of any learning and development activity has the most significant mindset shift to overcome.

Success can lead to complacency. Complacency, in turn, can lead to stagnation, and stagnation can lead to a loss of competitive edge, market share, then profitability. In other words, when a company is doing well, you need to work hard to do better because if you do not, somebody else will.

Many companies do not recognize the need for a concerted CILS effort unless there is a problem that raises the possibility of declines in market share, revenue, profit and investor return. Given the lack of exposure that CEOs and top executives have had with learning and development, it is incumbent on the CLO to provide advice and counsel on strategic approaches. If the role does not exist or if it doesn't have the necessary access or influence, then obtaining executive buy-in to implement CILS will encounter a significant barrier.

The collective resistance to change manifests on the individual employee level as well. As changes in learning and development are introduced, staff concerns include whether their skills and capabilities are no longer appreciated as being adequate. Remembering that the priority for most employees is to do their jobs well and keep their jobs, helping them understand how training initiatives can function in support of those objectives is key to beginning a process of overall cultural change.

SUMMARY: LEARNING TO SUCCEED

The Cost Gap

While CILS will ultimately help a company to overcome its financial performance challenges better and more efficiently, it becomes caught in the resource gap when compared to funding options that can yield bottom-line results faster.

The benefits of CILS and learning initiatives, while vital to the future of any organization, are difficult to quantify in return-on-investment dollars. The time and talent of staff are speculative assets without the kind of objective value found in more concrete corporate assets, such as infrastructure or marketing efforts. Yet, without the concerted efforts of its staff, no company can thrive and achieve any of its goals.

Overall, bridging the cost gap requires that management put CILS on par with all other prioritized corporate investments. All funding decisions concerning CILS fall into two broad categories:

- Those related to long-term plans with clear deliverables
- Just-in-time programs that respond to unplanned events and short-term challenges or opportunities

Both sets of investments require dedicated line-items in the budget for long-term initiatives as part of the overall strategic business plan and funding for special projects that cannot be predicted. ●

ROL: Return on Learning

While the benefits of being a learning organization are clear in theory, in practice such organizations are often scrutinized and criticized as not yielding identifiable contributions to the bottom line. Measuring the return on learning investments is more difficult than measuring the return on other, more tangible investments.

How can management measure ROL? Two fundamental metric approaches help to understand the financial impact CILS has on the bottom line:

Macro. To measure overall ROL, the financial team needs to look at the ROI of the organization several years before it made the transition to a learning organization and instituted CILS. Corporate annual reports for several years before the transition should yield the data required. Then, the financial team should compare these to the reports from the first two years after the introduction of CILS to get a sense of how the transition affected the overall ROI. Finally, the most current financial performance report, created after CILS had been up and running, will offer a snapshot of the present ROI of the company.

Micro. The micro approach evaluates the ROL of specific CILS programs designed to achieve strategic goals. Once the CEO approves the expenditure for the particular learning program, the financial team can monitor its success on a cost/benefit basis. A successful outcome invariably indicates a strong ROL. Where the macro approach seeks to determine if the integration of learning and strategy, as a planned tactic, stimulates enhanced returns, the micro approach isolates the CILS contribution as a piece of the solution and measures its direct impact on ROL.

Whatever approach is taken to gain some perspective on corporate learning, there are four metrics to measure the ROL. The application of the following metrics to the overall organization's performance or the success of a particular initiative forms the basis for assessing the ROL and the attendant ROI of CILS.

Financial Performance. Approved investments need to achieve a projected level of financial return. Specific plans for investments approved to achieve specific goals undergo scrutiny on a rolling basis. In learning organizations, CILS programs are instrumental in all stages of the planning, implementation and evaluation of financial performance, including its own.

Productivity. Productivity is the lifeblood of any organization and is inextricably linked to financial performance. The more goods and services a company produces to meet demand, the more revenue it takes in. Like financial performance, CILS programs have a direct impact on the higher and more efficient productivity in any learning corporation.

Targeted Skill Development (TSD). This is one of the most important functions of learning initiatives. The progressive development of staff yields all kinds of benefits to the organization. Employees deepen their specific skill sets and are more effective in executing their jobs. Coaching, mentoring and training help develop future managers. Effective sourcing of executives and in-house experts decreases the company's reliance on outside consultants. At the end of the day, TSD is a strong metric in evaluating ROL.

Growth Catalyst. One of the fundamental goals of any corporation is growth. CILS performs a vital function as a catalyst to achieve this goal. In particular, learning programs are effective in helping companies plan and manage the steps necessary for profitable growth. Some of the areas targeted are new product development, expansion through acquisitions and building on existing facilities and staff. Again, the success of the growth initiative is directly linked to the role CILS plays in it. The ROL of the

SUMMARY: LEARNING TO SUCCEED

programs responsible for the achievement of this strategic goal can then be measured in terms of profitability.

As much as quantifying ROL is a prerequisite to the continued funding of learning efforts, it is also worth remembering that constant, ongoing assessment of the efficacy of learning initiatives is at the core of CILS. Learning organizations engage in the continuous evaluation of performance, innovation and improvement. Quantifying the positive as well as the negative ROL of ongoing investments in corporate learning contributes to a greater understanding of the organization itself and how it can achieve its strategic goals. ●

The Competitive Edge

The increasing shortage of skilled and talented workers makes it imperative for managers and organizations to find, hire, develop and retain top employees. To do this, the desired skills first need to be clearly defined. Then, the company must determine whether to “make or buy” talent to satisfy those needs — that is, develop existing employees or go out and find new ones who already possess the requisite skills.

In this intense era of strategic poaching, there are four distinct areas of organizational behavior and leadership that are influenced by talent management and that companies need to conquer to gain a competitive edge. When their contributions are combined, they form the key to success and survival. CILS is the key to implementing the full package by “making” top talent or creating a culture and perception conducive for “buying” and retaining it.

1. The Talent War. At the height of the industrial era, the primary objectives of employees were opportunity, compensation and secure employment. Today, a different set of key objectives are prioritized — from work environment to flexibility to a reputation as a “development friendly” company. Companies using CILS as an operating model have prioritized learning as a key driver of strategy, so their need for developing people fuels a marketplace reputation that supports recruiting and retention.

2. The Culture of Excellence. A true culture of excellence is one that leverages CILS to provide an environment where preparation, adaptability and ongoing support to do a job well are ever present. CILS creates an ongoing investment in the training of its people. As the organization benefits, the people benefit. The people, however, understand that this type of investment is not common and truly appreciate the opportunity and commitment the

company shows to their development. This appreciation is minimally expressed by a heightened level of engagement at work.

3. Manager Effectiveness. One of the most significant benefits of CILS for competitive advantage is that of manager effectiveness, which, in this context, is the ability of leaders in an organization to influence, communicate and drive performance. Once an overarching strategic plan is in place, business-unit managers are positioned to provide a competitive advantage through substrategy priorities and execution plans. If properly trained, business leaders are then poised to create real value and a competitive advantage for their companies.

4. Brand Enhancement. Maintaining a CILS approach not only provides an edge for talent, culture and management, but it also has the potential to dramatically influence the brand value for internal and external stakeholders. When the external audience that learns about the extraordinary CILS culture is a client, then a dual benefit ensues. The perception of the organization is raised.

Through an ongoing dedication to the CILS values of analysis, strategic planning, and continuous assessment, evaluation and programmatic learning, all members of a learning organization, from the C-suite to middle management to the rank-and-file employees, work together to give the company an edge on the competition. ●

Integration in Practice: Comcast and Sears

Two cases that highlight comprehensive and longitudinal CILS are the Comcast Corporation and Sears Holdings. By responding to time-sensitive environmental and market conditions, devising a competitive strategic response and integrating a linked learning solution, both have realized short- and long-term success that supports the core of operational practices and outlines how key components in the strategic process can be utilized to create a winning solution.

Comcast Corporation

Comcast Corporation is a global media and technology company. The financial crisis of 2007–2008 resulted in an overall downturn in economic activity, leading to the 2008–2012 global recession. Against this backdrop, in 2009 the senior leadership at Comcast decided to prioritize strategic objectives by identifying and analyzing two areas:

SUMMARY: LEARNING TO SUCCEED

- Company-wide inefficiencies in the operating processes
- Opportunities to enhance the customer-service experience, performance and related quality components

By centralizing company-wide programs and initiatives under Comcast University, quality would not only be maintained but enhanced, while simultaneously creating greater efficiency in the overall function.

Centralization of all learning and development activities under Comcast University emanated from two critical factors: top leadership sponsorship and a link to key business priorities. Five years after the strategic shift, Comcast University operates as one of the top functions in the world, focusing on leadership development, learning solutions and talent management. This year, Comcast University will deliver 4.6 million hours of training.

To measure ongoing impact, Comcast University maintains a cycle that includes implementing solutions, measuring their effects, sharing transactional data and sharing impact stories. The cycle continuously increases credibility, which in turn increases business partners' use, followed by employee improved performance and end-user (client) benefit.

Sears Holdings

Sears Holdings was formed in 2005 when Sears, Roebuck and Co. merged with the Kmart Corporation, bringing together two companies with longstanding histories and proud heritages but with differing cultures and operations. In order to accelerate the transformation of the new enterprise as a whole, a distributed leadership model was put in place, dividing operations into more than 30 business units. This created unique challenges for L&D.

In late 2012, Dean Carter, Chief Human Resources Officer, led an effort to identify a new company mission and shared a set of key results as part of a broader initiative to transform the culture at Sears Holdings. This strategic shift launched the first company-wide training initiative that had taken place since the merger. More than 200,000 associates went through a classroom training session to ensure all associates understood the new culture and could see the link between their roles and the four key results of the company.

Carter also put in place a new enterprise leadership model, replaced its traditional annual performance review with continuous crowd-sourced feedback, and implemented a scalable learning platform.

The net result of these efforts over the past two years has been the revitalization of centralized learning at Sears Holdings, centered on the overall enterprise mission and

built to address specific needs of the company during this period of accelerating transformation and investment in new technologies.

Sears Holdings needed to find a way to revitalize the centralized learning function as a strategic lever supporting the objectives of the enterprise as a whole and supporting the business transformation that was taking place. What was needed centrally was a renewed focus on the core strategy built upon four primary elements:

- Alignment on the overall objectives of the enterprise
- Identification of the strategic leadership competencies needed to support those objectives
- Creation of a mechanism to rapidly and continuously identify learning and development needs
- Implementation of a scalable platform that could connect associates with learning content that continually refreshes to meet their individual needs

When combined, these four elements make up a learning ecosystem at Sears Holdings that allows the centralized learning function to develop and curate new learning content based on the most pressing needs of the business and then rapidly to deploy it on a wide scale across the enterprise.

Executive Perspective: Deloitte

From a discussion with Punit Renjen, Chairman, and Craig Gill, Chief Learning Officer (CLO), that focused on Deloitte's experience as a learning organization and its efforts to fully integrate with strategy comes this excerpt.

"For an organization to become oriented toward learning, leadership must believe that investing in their people is core to their culture (who they are) and essential to their business strategy (where they are going). At Deloitte, we believe that to deliver the best possible services for our clients' toughest challenges, we must accelerate how our people learn, adapt and grow. So for us, integrating learning into our business strategy is a given. ●

RECOMMENDED READING LIST

If you liked *Learning to Succeed*, you'll also like:

1. **The Fifth Discipline** by Peter Senge. Senge describes how companies can rid themselves of the learning "disabilities" that threaten their productivity and success by adopting the strategies of learning organizations.
2. **Talent Economics** by Gyan Nagpal. Nagpal offers an outside-in view on talent that brings workforce analysis, management practice and strategy together, using economic inquiry.
3. **The 2020 Workplace** by Jeanne C. Meister, Karie Willyerd. Meister and Willyerd present a functional guide to help you and your organization create tomorrow's workplace of choice.

· Book 3 of 46 ·

38BS06 The Decoded Company

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The Decoded Company

Know Your Talent Better Than You Know Your Customers

THE SUMMARY IN BRIEF

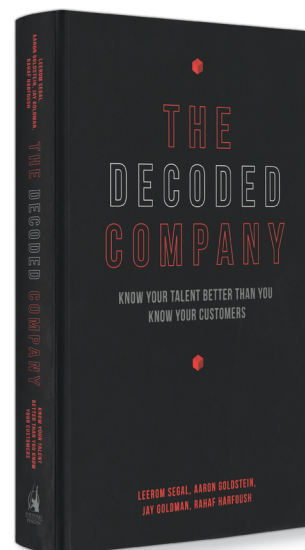
Amazon delights customers with recommendations that are spot on. Google amazes us by generating answers before we've even finished asking a question. These companies know who we are and what we want. The key to their magic is Big Data. Personalizing the consumer experience with the collection and analysis of consumer data is widely recognized as one of the biggest business opportunities of the 21st century. But there is a flip side to this that has largely been missed.

What if we were able to use data about employees to personalize and customize their experience — to increase their engagement, help them learn faster on the job and figure out which teams they should be on? In *The Decoded Company*, the authors outline the six principles they've used to decode work and unlock the maximum potential of their talent, and share success stories from other organizations that have embraced this approach.

The Decoded Company is an actionable blueprint for any company that wants the best from its people and isn't afraid of radical approaches to get it.

IN THIS SUMMARY, YOU WILL LEARN:

- To personalize processes to the individual based on experience and offering training interventions precisely at the teachable moment.
- To codify organizational battle scars using actual code that watches your blind spots and gives your people a decision-making superpower.
- To prevail over hierarchies, reducing bureaucracy, increasing transparency and being wildly inspiring to teams.



by Leerom Segal,
Aaron Goldstein, Jay Goldman
and Rahaf Harfoush

CONTENTS

The Decoded Company
Page 2

Technology as a Coach
Page 3

Technology as a Trainer
Page 4

Data as a Sixth Sense
Page 5

Engineered Ecosystems
Page 6

Getting Started
Page 8

THE COMPLETE SUMMARY: THE DECODED COMPANY

by Leerom Segal, Aaron Goldstein, Jay Goldman and Rahaf Harfoush

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From *The Decoded Company: Know Your Talent Better Than You Know Your Customers* by Leerom Segal, Aaron Goldstein, Jay Goldman and Rahaf Harfoush. Copyright © 2014 by Klick Inc. Summarized by arrangement with Portfolio, an imprint of Penguin Publishing Group, a division of Penguin Random House LLC. 336 pages, \$27.95, ISBN 978-1-59184-4. Summary copyright © 2016 by Soundview Executive Book Summaries, www.summary.com, 1-800-SUMMARY.

Introduction

Unbelievable advances in consumer technology have changed almost every facet of our lives over the last 20 years, and yet the rickety technology of management that most managers use today is older than they are. *The Decoded Company* argues that the consumer technology revolution sparked by the Internet has only begun to invade the workplace.

Companies like Facebook, Google and Amazon have understood how to leverage data as a sixth sense, how to personalize their customers' experiences with that data, and how to completely embrace the open and participatory nature of the Web. *The Decoded Company* encourages organizations of any size to reject the notion that their people are interchangeable "resources" and to invest in systems and processes that are action-oriented, people-centered, disruptive and sometimes radical.

The benefits of decoding your organization include increased agility and speed, evidence-based decision making, decreased bureaucracy and the ability to predict problems before they occur.

The true advantage of decoding your company is for it to become a center of gravity, attracting and retaining the best talent your industry has to offer and unlocking crazy-high engagement from them. ●

The Decoded Company

The Decoded advantage helps you leverage the knowledge that exists in your company right now to

create a work environment that is not just running more smoothly but is insanely engaging. There are three trends which have laid the groundwork necessary for the model to become possible:

- 1. Informed intuition:** Your systems analyze data to monitor your blind spots and to look for patterns that match lessons learned, literally codified into your company's operating system.
- 2. Personalize everything:** The rejection of one-size-fits-all anything. Personalized services empower organizations to free themselves from the restrictive referee that terrorizes their teams.
- 3. The connected enterprise:** We have become the connected society, constantly networked to our friends and family. Those same principles of openness, transparency and connectedness are destined to transform our business culture no less radically than they have our consumer culture.

At its heart, a Decoded Company is an ongoing experiment. Experimentation requires risk-taking. You have to encourage your people to constantly push limits and test established practices. They have to feel secure enough to fail. Empowering risk-taking means removing obstacles. Your data will tell you what needs to be taken away.

A Decoded Company has made the significant commitment to instrumenting everything it does. It has data coursing through its veins. It has educated and trained its people to be data literate, so they can interpret it and make the right decisions based on it.



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Rebecca S. Clement, Publisher; Sarah T. Dayton, Editor in Chief; Ashleigh Imus, Senior Editor; Masiel Tejada, Graphic Designer; Corbin Collins, Contributing Editor

SUMMARY: THE DECODED COMPANY

There are three Decoded principles to embrace.

- Principle 1: Technology as a Coach and Trainer
- Principle 2: Data as a Sixth Sense
- Principle 3: Engineered Ecosystems ●

Technology as a Coach

Technology as a coach is the use of data and systems to transform your technology from a referee shouting “offside!” to a coach who provides real-time guidance and recommendations to help your people avoid behavior patterns that have proven problematic in the past. A referee enforces rules; a coach helps your team win. Technology as a coach allows your organization to radically accelerate execution and manage risk without drowning in bureaucracy.

The evolution of the Web as a social platform has given organizations their most powerful tool yet to drive their segmentation efforts into the realm of hyperpersonalization. The Internet makes it easy for anyone to create content — content that can easily be mined for information.

Consumer-focused marketers have long used demographic buckets to segment their target audience by gender, age, marital status, socioeconomic level, geography, etc. Behavioral targeting, in contrast, ignores demographics in favor of the actual behaviors of a potential buyer.

We no longer need to categorize ourselves or our potential customers under broad umbrellas such as gender or socioeconomic level. Instead, we all exist on a continuum where each unique individual can find their place, and products are designed or optimized specifically for them.

Consumers today have the ability to customize nearly every aspect of their lives. Everything is getting the mass personalization treatment, from sneakers to ice cream.

One of the most promising fields of data science is adaptive learning: using data to create algorithms that learn from a user’s behavior and adapt accordingly.

The Recalibration of Employee Expectations

Our daily online experiences as consumers are changing our expectations for the technology systems we interact with at work. As consumer services continue to improve our lives, the gaps between what employees need and what they are getting are becoming more and more evident.

According to a recent study, over a quarter of employees said they regularly downloaded and used noncorporate applications at work that help them work better.

Workplace systems are built around business needs, processes and metrics and are almost always designed and purchased by people who won’t be forced to actually use them. Consumer technologies, on the other hand, are built on user desires: They are intelligent, well designed, useful and personalized, and they deliver what the user wants, when they want it. Simply put, they provide a better experience.

As Decoded Companies well know, their talent is their most important asset and differentiator. Most CEOs, even of non-Decoded Companies, rate talent attraction and retention as the biggest challenges facing their organizations, especially with the projected labor shortage in North America. And yet, despite the looming crisis, it seems that they are investing the lion’s share of their economic resources in developing new markets and attracting new customers instead of in developing the tools that would enable them to better understand their own labor force.

If data can unlock such potential externally with customers, imagine what it could unleash if we applied that same strategic and analytic focus to our own people.

It’s time to start using some of these new data-driven tools to make the workplace more efficient, more personalized and more fun.

The Rule of 5 Degrees

If you start out 5 degrees off course, you will wind up completely missing your mark. Very early and very slight course corrections are much less disruptive than infrequent and massive ones. At its best it’s the difference between feedback (you did something wrong a while ago) and feed forward (based on past data and patterns, it looks like you might be about to do something wrong).

Almost every company gets annual reviews wrong. Sticking to an annual cycle just because that’s the way companies have always done it makes no sense at all. Goals need more fluidity to remain relevant and motivating. Today’s goals need to be renegotiated whenever needed. Plus, continual feedback is critical. The more iterative you get in your feedback, the better. Agility requires you to be able to adjust targets quickly and continue to move forward.

At Clarity, Dan Martell’s seven employees use a dashboard tracking 35 data points that breaks their growth

SUMMARY: THE DECODED COMPANY

target down to a weekly figure, helping them stay on track. The system has more than paid for itself by rewarding his people with deeper engagement and better compensation. Martell gives his employees weekly performance bonuses. “We measure every metric on a weekly basis, and that gives us 52 opportunities to adjust and be flexible, so we can meet our goals.”

At Klick, performance reviews are grounded in a weekly one-on-one coaching session between an employee and their manager. The weekly structure provides Klick’s Genome data system with a series of data points that can be very useful in identifying trends in an employee’s performance. This data enables managers to give highly relevant and personalized feedback.

At Klick, human resources has come to be seen as a support function for the strategic development of talent. The traditional HR department was replaced with what they call a Concierge Service, whose mission is to continually deliver the best possible products and services to the staff. This department is able to respond to specific requests based on the unique needs of individuals and the value they deliver. It runs on the principles of merit rather than seniority. The concierges’ objective is to turn Klick into a center of gravity that attracts and retains the best and most engaged talent.

Scheduling a 20-minute weekly meeting with your team to evaluate goals, check in on progress and provide consistent feedback can replace the dreaded annual review with 52 opportunities to make sure your team is happy, motivated and productive.

One of the main components of a Decoded Company is its ability to react to patterns and not exceptions. Everyone has bad weeks and good weeks; weekly one-on-one meetings create a fair system that addresses the real issues identified over time.

Some companies are responding to changing consumer expectations by allowing their employees a wider scope of choice and control over workplace technology. Bring your own device (BYOD) sounds like an IT policy, but for companies like GE, the freedom to pick the type of technology you use at work is a large part of their recruitment and retention strategy. ●

Technology as a Trainer

Technology can evolve into a trainer who learns from your whole organization’s base of experiences and applies

those insights to training, development, recruiting and even project management processes. It rejects the concept of monolithic training programs in favor of deeply personalized experiences delivered only when they’re needed. Decoded organizations use technology as a trainer (and coach) to guide their people in a proactive, transparent and accountable way, watching their blind spots and stepping in before someone gets in trouble.

Three critical factors influence a training program’s effectiveness:

- Context is the recognition that training materials are more likely to be retained when they contain relevant information to your task at the time you need to do it.
- Practice is the ability to apply what you’ve learned immediately, in your day-to-day job.
- Feedback is the necessary fine-tuning that helps identify opportunities for improved performance.

Recognized by real-time data analysis, a teachable moment is the exact instant when an employee should receive training, which is then delivered in a customized way that caters to that employee’s exact needs. Delivering just-in-time training is a good beginning, but the real value comes in customizing it to meet the learner’s unique needs.

Even companies as advanced and cutting-edge as Google have struggled with outdated training practices. In 2012, it gave GoogleEDU, its two-year-old learning and development program, a Decoded style makeover, instituting a new philosophy that focused on delivering data-driven, personalized insights to its 33,000-plus employees.

Google aimed to identify the right teachable moments to deliver highly relevant information based on an understanding of each individual’s needs. It turned to the data it collects internally to shed some light, starting with performance reviews, to identify areas of learning where people could use improvements. Google also had various statistics to look at to pinpoint when, in a person’s career trajectory, it makes the most sense to take a particular course or training program.

US Airways wanted to use technology to help them train their CSRs, but the system it had was clunky, it relied on too many manual inputs, and, worse still, it didn’t allow the representatives to use it themselves. The automated data system US Airways ultimately installed in collaboration with NICE helped employees develop a clear and objective picture of what was expected of them.

SUMMARY: THE DECODED COMPANY

The idea that training is an expense and not an investment is just one of many indications of how outdated current accounting processes are.

A person's ability to learn is like "compounding interest on an investment: after two or three years, a relentless learner stands head and shoulders above his peers," as James Slavet wrote. "So try asking your team this question: How did you get 1 percent better this week?" Being aware and measuring each team's learning progression can be a powerful tool. "One percent per week adds up." ●

Data as a Sixth Sense

Developing data as a sixth sense is the second principle of becoming a Decoded Company.

Comparing the dashboard of a World War I-era Fokker DR-1 with the dash of an F-22 Raptor, the most advanced fighter jet in the world, is a good way to understand the idea of data as a sixth sense. World War I pilots had very few instruments to gather data and no computer to analyze it with. Their decisions were based entirely on training and gut feel. The F-22 has a plethora of sensors and instruments to gather data and a computer to make sense of all that info. The heads-up display, HUD, displays all of the pertinent info the pilot needs in one central place, so he or she doesn't have to spend time trying to make sense of all the data. The pilot still has the final say on what their plane does, but those decisions are much more informed. Making use of the info in the dash to aid in decisions is using your data as a sixth sense.

Data as a sixth sense is our ability to pair analytics with instincts to gain a perspective that's grounded in data but tempered by experience, giving us an unprecedented amount of information to assess a situation. It allows us to leverage our existing experience and strip out our personal biases.

Decoded Companies use their data to protect their talent and help them thrive:

1. Decoded Companies are open and clear about the data they collect.
2. Decoded Companies collect things that are on the corporate record.
3. In the absence of the corporate public record, Decoded Companies employ a clearly adhered-to opt-in clause.

While corporations are able to capture more and richer information than ever before, they have also learned to be careful about how they use it. Target learned that women who hadn't told anyone that they were pregnant were disturbed when they received flyers in the mail that were obviously targeted to expectant mothers.

Like any tool worth using, data can be used either constructively or destructively. The key factor is to get opt-ins from employees, especially if you are going to measure things like phone calls and conversations. Without their buy-in, you'll lose the trust of your talent, and the company's culture — and performance — will suffer.

The Right Type of Data

There are two types of data: self-reported and ambient.

- Self-reported data requires a user's manual input in order to measure it. Filling out timesheets, surveys, performance evaluations and expense reports are all examples.
- Ambient data is information about a behavior that is automatically collected without the users having to actively enter each data point. Swiping in to work with an active RFID badge, sending emails, making calls and adding events to an electronic calendar are all examples.

Self-reported data is rife with biases. Too much of the information being tracked has been filtered through the interpretations of the people who input it. While there are times and places when self-reported data can be valuable, Decoded organizations should focus their attention on tracking and analyzing ambient data. Ambient data enables companies to track behavior without having to depend upon behavioral changes to do it. Ambient data peels back the layer between what we say and what we actually do.

Although self-reported data is subject to the biases of the employees, the scale and scope of the talent base tends to negate any individual schemas and results in essentially ambient data. This is well worth remembering: You can fill gaps in ambient data with self-reported data as long as it comes from a large enough sample population.

The Idea of Economy

Peter Arvai of Prezi is experimenting with a new feature for the Prezi platform that will allow the company to track the creation and spread of an idea by both its employees and the external Prezi community. Users will be able to borrow ideas found in other Prezi users' presentations in a

SUMMARY: THE DECODED COMPANY

way that's sourced and tracked. The collected data will be able to identify who in your company is coming up with the best ideas and who is facilitating the exchange and spread of those ideas, enabling them to bubble up.

Decoded is all about using available data to discover ways to make teams more efficient and productive. Venture capitalist James Slavet proposed a new set of metrics that organizations should measure to identify areas where they can improve:

- Flow-state percentage: overall efficiency. Flow state is a state of concentration in which we are completely and utterly immersed in the task at hand. The ego falls away. Time flies. We are "in the zone." Hourly interruptions wreak havoc with flow. Slavet recommends asking employees to track their flow states during an average day.
- Positive feedback ratio: chatter and kudos. One of the best ways to establish positive rapport with colleagues is to always reward positive behaviors. At Klick, Chatter acts like an internal Twitter channel, and Kudos are brief messages of thanks that team members are encouraged to post when they have a positive interaction with a colleague.

As a company moves toward a more data-centric approach, it's important to factor in the human element and not get lost in the technology. Remember, your sixth sense uses data to augment your instincts, not replace them.

Anything that can be measured can give your informed intuition a boost. Collecting data for one thing can lead to insights about another. It's better to measure the whole iceberg even if you're only going to report on the visible tip above the waterline. Casting a wide-enough analytics net will turn up an amazing array of unexpected insights. ●

Engineered Ecosystems

Engineered ecosystems are corporate cultures that are intentionally and deliberately optimized to create a center of gravity for their industry's best talent. They reject established management philosophies and approaches unless they can demonstrate their value empirically. They believe in a people-first approach that puts their talent above their customers and their customers above their profits. They invest in systems to decode their people and

understand their wants and needs as well as (or better than) they understand their customers.

The video game company Valve uses a data-focused approach to bypass traditional hierarchy in favor of a flexible and agile network that places an incredible amount of trust in the hands of each employee. Valve doesn't believe in job descriptions or managers. Really. It sees its organization as an organically grown collective of bright, self-motivated people who are empowered to "choose their own adventure" in deciding which direction the company should move in.

It's understandable why most companies are balking at these kinds of changes. The emerging norms go against the hierarchical structures that have defined corporate cultures for decades. The new collaborative models that are emerging replace seniority with meritocracy and hierarchies with ecosystems. They have open structures and create data-centric cultures that help motivate and empower talent.

Data-Driven Management: The Ecosystem Engineer

There is a role for a new ecosystem engineer, someone who focuses on the analysis, design, implementation and maintenance of highly experimental corporate cultures that are firmly based on the practices of data-driven management.

At Klick, the ecosystem engineer manages all of the concierges. They are responsible for helping to deliberately shape the culture into one that has become a center of gravity for the best talent.

As workplaces adapt to being more flexible, meritocratic and open, data, combined with the ability to share it easily, increasingly becomes the glue that binds everything together. Companies like InnoCentive and Netflix are creating environments that are decentralized without being chaotic, that strive for autonomy instead of bureaucracy, and that maintain market focus while being agile enough to recognize and act upon new opportunities. Most of all, they are using data to maintain happy, healthy and productive cultures.

Vineet Nayar, vice chairman of HCLY (a global IT outsourcing firm), believes that the core business of any corporation is to create shared value for customers. "If you do not put the employee first — if the business of management and managers is not to put the employee first — there is no way you can get the customer first."

SUMMARY: THE DECODED COMPANY

Corporate social responsibility (CSR) initiatives provide another opportunity to promote cultural values. The Klick It Forward program was created in order to forge a connection between Klick's charitable efforts and employee workflow. As work gets completed, employees get credits to spend on various causes. Each time he or she makes a contribution, a badge is added to the employee's Genome profile, letting their colleagues know the causes they support.

Gary Hamel, creator of the online community Management Innovation eXchange (MIX), launched the Management 2.0 Hackathon with the question: How can we harness the power of the Web — its technologies, approaches and underlying principles — to reinvent management? More than 900 participants from five continents came together in person and online. Twelve principles that embodied the foundation of the social workplace were identified:

- Openness
- Community
- Meritocracy
- Activism
- Collaboration
- Meaning
- Autonomy
- Serendipity
- Decentralization
- Experimentation
- Speed
- Trust

As the Web continues to enable people to be even more social, more connected and more collaborative, workplaces are evolving organically to reflect these changes. MIX has identified several ways the teams are applying these new behaviors and perspectives within the workplace to create environments where

- coordination happens without centralization;
- contribution matters more than credentials;
- power flows to those who add value;

- the wisdom of many trumps the authority of the few;
- new ideas get amplified rather than crushed;
- performance is judged by peers;
- contribution is opt-in rather than commanded;
- the default is to share information rather than hoard it.

A core challenge for any enterprise is balancing the complexity of people orchestration with the delivery of a consistent level of quality and service. This equilibrium is unlocked by data.

Whole Foods is an intriguing example of a company that has successfully bridged the gap between soft-hearted values and logic-driven business acumen. The company's investment in environmental sustainability, diversity, transparency and collaboration is balanced by its laser focus on data-driven performance and efficiency. The combination has resulted in a highly motivated workforce with a deep sense of community who value productivity. "There's this notion that you can't be touchy-feely and serious," says Co-CEO John Mackey. "We don't fit the stereotypes. There's plenty of managerial edge in this company — the culture creates it."

Netflix's engineered ecosystem turns on recruiting and training "stunning colleagues," motivated self-starters who thrive in an environment of autonomy and flexibility. "Our model is to increase employee freedom as we grow rather than limit it, to continue to attract and nourish innovative people," CEO Reed Hastings notes. For Hastings, the key is to grow talent density faster than complexity. Netflix has no specific vacation policy. Its travel, expense and gift policies can be summed up in five little words: Act in Netflix's best interests. Netflix defines its management model as "context, not control."

Intuit is focused on creating a culture that values informed experimentation. President and CEO Brad Smith has made it his priority to develop an internal culture of innovation. Unstructured time allows employees to spend 10 percent of their work time on a project they are passionate about, even if it falls outside their normal job descriptions. "Idea jams" are focused brainstorming sessions held periodically for employees to develop and present concepts. The Intuit Brainstorm tool enables employees to submit ideas and receive feedback and ratings on them.

InnoCentive has built an open-innovation crowd-sourcing platform on which companies can tap into a

SUMMARY: THE DECODED COMPANY

network of diverse communities and problem solvers to tackle some of the biggest challenges — a community of 260,000 individuals from more than 200 countries solve problems in various disciplines. Clients post challenges on an open innovation marketplace and set a prize for the person or team who can offer a solution. As of 2012, more than \$35 million in award money has been posted on the site.

The companies we've talked about all have used the collaborative, meritocratic and flexible nature of the consumer social Web to empower their talent and creatively solve challenges. And they all place tremendous value on developing and retaining their talent. These things are reflective of the three main drivers of human motivation: autonomy, mastery and purpose. When those factors are aligned, the easiest thing for managers to do is get out of the way and let their talent tell them what's needed. ●

Getting Started

Every company is different, but here are some useful tools to get you started on your journey toward being Decoded.

Talk with your team. Kick-start a conversation about why becoming Decoded is such an essential skill for your organization. This will lead to increased buy-in and more support for the experiment that you're planning on conducting.

Understand the now. You need to know where you're starting from. A starter set of questions for you to answer will provide clarity about your current state.

Map out the roles within your group. For each role, map out the major activities that they are responsible for, and identify those that need to be reconsidered; map out the systems that they touch and when they touch them; analyze the impact, frequency, effort and time for each of the touch points; evaluate how they get visibility, how they spend their time, how to prioritize their work and their framework.

Map out all of your available data sources. Remember to look out for self-reported and ambient data, but give preference to ambient data.

Establish a Decoded lab. Pull people from different groups.

Instrument everything. Instrument as much of your organization as you can, with a view toward collecting ambient data. It may be useful to start designing experiments at this early point as that often teases out missing sources of data or creates prerequisite self-reported data

exercises that you need to complete (e.g., a survey of all employees to create a baseline).

Establish evidence-based leadership. Start by working with your lab to figure out some easy experiments that require little or no external buy-in and have quantifiable success metrics. It helps if you have historical data about how those processes are working now, so you can analyze it and establish historical metrics. Put your experiment in place, measure carefully and report on the outcome.

Hire technology as a coach and trainer. Replace the annual performance review and your current goal-setting process with an approach that's driven by data and hooked into a dashboard they see every day. Look for places you can apply personalization in order to deliver only relevant content. Coaching starts with identifying the teachable moments within your company. Work with your lab to review each of the activities you identified. At some point, make the investment in working with an infographics designer who can work magic with your data.

Engineer your connected enterprise. Make your systems way more social. Look for opportunities to add profile pages, photos, etc. Figure out what drives your use of social Web properties, and then look for ways to introduce the same elements within your company.

Future-proof. Roll out a data warehouse, and encourage your team to use it as a lab and playground. Expand your data collection efforts to the offline. Increase your team's data literacy and coding skills. Deputize evangelists throughout your organization.

Ask for help and guidance, share the results of your experiments and help drive the movement forward. ●

RECOMMENDED READING LIST

If you liked *The Decoded Company*, you'll also like:

1. ***Trust Agents* by Chris Brogan, Julien Smith.** Trust agents are digitally savvy people who use the Web to humanize businesses using transparency, honesty, and genuine relationships. As a result, they wield enough online influence to build up or bring down a business's reputation.
2. ***Six Pixels of Separation* by Mitch Joel.** Digital marketing expert Mitch Joel integrates digital marketing, social media, personal branding and entrepreneurship in a clear, entertaining and instructive way that everyone can understand and apply.
3. ***The Talent Powered Organization* by Robert Homas, Peter Cheese, Elizabeth Craig.** The key to strategic success is talent — an organization's people, from its current and future leaders to its frontline employees, but few organizations are managing their talent strategically.

· Book 4 of 46 ·

39-05 The Future Workplace Experience

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The Future Workplace Experience

10 Rules for Mastering Disruption in Recruiting and Engaging Employees

THE SUMMARY IN BRIEF

Disruptive technologies. The gig economy. Breadwinner moms. Data-driven recruiting. Personalized learning.

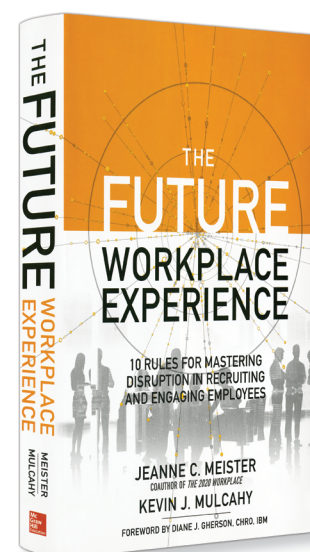
The Future Workplace Experience presents an actionable framework for meeting today's toughest business disruptions head-on. It guides you step by step through the process of recruiting top employees and building an engaged culture, one that will drive your company to long-term success. Two of today's leading voices on the future of work, Jeanne C. Meister and Kevin J. Mulcahy, provide 10 rules for rethinking, reimagining and reinventing your organization.

Everything we took for granted in the past, from what we expect from our jobs to whom we work with and how, is changing before our eyes. The strongest organizations today are "learning machines." New challenges require new solutions, and some organizations are finding them.

If you want to compete in the years to come, you have to meet the future now. *The Future Workplace Experience* is your playbook for taking your organization to the top of your industry.

IN THIS SUMMARY, YOU WILL LEARN:

- The 10 rules to help your organization recruit and engage the best employees.
- What workers expect from work and how and why companies are creating employee experiences to mirror their best customer experiences.
- How technology transforms the workplace and can be both an enabler and a disruptor.
- The changing composition of the workforce driven by gender, generation and the gig economy.



by Jeanne C. Meister
and Kevin J. Mulcahy

CONTENTS

Part I: What Workers Expect from Work

Page 2

Use Space to Promote Culture

Page 3

Part II: How Technology Transforms the Workplace

Page 4

Part III: The Changing Composition of the Workforce

Page 6

Build Gender Equality

Page 7

Be a Workplace Activist

Page 8

THE COMPLETE SUMMARY: THE FUTURE WORKPLACE EXPERIENCE

by Jeanne C. Meister and Kevin J. Mulcahy

The authors: Jeanne C. Meister is a best-selling author, internationally recognized workplace-learning consultant and a founding partner of Future Workplace, a consulting firm dedicated to assisting organizations in rethinking, reimagining and reinventing the workplace. Kevin J. Mulcahy is a frequent speaker, workshop facilitator on workplace trends and entrepreneurial thinking and a partner of Future Workplace. He is an Adjunct Lecturer at Babson College and an executive coach at the Harvard Business School.

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Introduction

Everything we take for granted about work — what we expect from our work, where we work, how we work, when we work and with whom we work — is being disrupted. Workers of all generations and cultures will increasingly come to expect a workplace that mirrors their personal lives, one that is transparent, connected, personalized and offers choices. Understanding this future workplace experience will be a core competency of both business and human resource leaders.

Interviews and a global survey uncovered a confluence of disruptive forces that leaders are grappling with today, from the experiences workers expect in the workplace, to the myriad of current and next-generation technologies transforming how and where we work, to the diversifying composition of workers, representing multiple generations and cultures, in addition to various segments of workers such as breadwinner moms, boomers on the grid and economy, contingent workers. The results of the research have been synthesized into 10 rules to guide you, your team and your organization to master disruption in recruiting and engaging employees in the future workplace. ●

PART I: WHAT WORKERS EXPECT FROM WORK

Rule #1: Make the Workplace an Experience

There are several key drivers to intentionally designing employee experiences, including the fact that all

generations of employees (not just millennials, born between 1982 and 1993) are approaching the workplace with a consumer mindset. With the rise of mobile technology and a rapidly expanding on-demand economy, employees now expect a similar experience at work to the one they have in their personal life. At the same time, organizations are recognizing the need to create one seamless experience for both employees and customers.

The essence of the future workplace experience is to integrate all the elements of work — the emotional, the intellectual, the physical, the technological and the cultural — into one seamless experience for the employee.

Emotional experience: Companies are increasingly seeing the importance of being a purpose-driven organization, and tapping into a set of core values to connect the employee to the company. This starts with asking what type of customer experience is the company providing and how can the employee mirror components of this and elicit core emotions of the very best customer experiences such as delight, surprise and engagement.

Intellectual experience. Companies recognize that engaged employees take charge of their development and learn every day, often informally searching the web with their smartphone and finding what they need, when they need it. Qualcomm has created the Qualcomm Employee App Store for employees to access a number of apps from learning to communication, health and wellness, news and virtual-meeting facilitation.

Physical experience. Research is proving the importance of giving workers control over selecting the workspace that suits them. Steelcase conducted a global study among 12,480 participants in 17 countries to examine



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SUMMARY: THE FUTURE WORKPLACE EXPERIENCE

key workplace behaviors around the topic of workspace. Interestingly, workers who have a greater degree of control over where and how they work, and are free to choose a workspace to fit their task at hand: either focused work or collaborative work, were more engaged at work.

Technological experience. With the growing demand to work from anywhere, the future workplace will depend on organizations harnessing the power of smart technologies to drive employee engagement and satisfaction. IBM is one company that is leveraging its suite of cognitive technologies and social-engagement platforms to reimagine the performance-management process.

Cultural experience. Transparency in the workplace is becoming the currency of leadership. At Airbnb, employees freely share why the company is a great place to work. Scan the Airbnb Glassdoor.com page and you will see comments like “This company is mission driven with an incredible culture and one where you are encouraged to be yourself.” And just as important, Airbnb executives regularly respond to both positive and negative comments showcasing their transparent culture. ●

Rule #2: Use Space to Promote Culture

Increasingly, organizations are strategically redesigning their workplaces to better align with their core values, attract the right talent and achieve superior results.

Five drivers influence how companies align their workspace and culture. Taken together, these drivers provide business and HR leaders with a framework to rethink how space can drive culture, choice, wellness, engagement and community.

Drive culture. Workplaces are physical manifestations of a company's culture. A company promoting a culture of high-paced innovation, creativity and a sense of fun at work will find it hard to promote these values in a bland, gray, cubicle-filled workspace that often saps employees' energy rather than inspires employees to achieve creative breakthroughs. Leading organizations recognize this fact. Building an employee-centric workspace is a long-term planning project. The space needs to be organic and flexible enough to facilitate future generational changes and shifts in working-style preferences. The workspace design should promote engagement and collaboration among employees.

Enable choice. In a TED talk, Susan Cain made the case that workplaces were “designed mostly for extroverts

and their need for lots of stimulation.” She highlighted how introverts are highly talented individuals with a very different set of characteristics, which need to be encouraged by moving away from the prevailing norms of workplace design. So companies need to ask, “How can we accommodate both our introverts and our extroverts in our workspaces?” Four simple questions are suggested for business leaders to probe where employees choose to work and why: Where do you go to do your best work? Where do you go to get the job done? Where do you avoid meeting or working? Where do you go to recharge?

Promote wellness in the workplace. The demand for healthy workplaces is on the rise. This has led to the creation of the WELL Building Standard (WELL). The WELL Building Standard measures, certifies and monitors the performance of building features that impact the health and well-being of employees. WELL provides companies with a framework to create a healthy workplace by focusing on seven concepts, including air, water, nourishment, light, fitness, comfort and mind.

Enhance engagement. The new thinking about workspace focuses on creating space where employees want to be and giving them choice over the type of space and the tools they use so they can best collaborate, concentrate, and network with colleagues.

Nurture community values. A co-working space is more than just renting out desk space; it is a chance to engage with workers who hail from many different industries and kinds of expertise. It is a chance to share an identity, work within a community and participate in networking events with other members. Not only are co-working spaces growing (currently numbering more than 3,000 with We Work as the largest) but a number of FORTUNE 500 firms, (GE, McKinsey and IBM) are sending their intrapreneurial teams to work at these co-working spaces so they benefit from the sense of community. ●

Rule #3: Be an Agile Leader

In the future workplace, a new generation of leaders will be needed who are agile and can adapt to the rapidly shifting business landscape. These agile leaders demonstrate seven leadership traits and include the ability to both produce results and engage with people.

The first dimension focusing on the *ability to produce results* includes:

Be transparent. Modern employees want a culture of regular communication and straight talk, along with clear expectations for how to excel. These elements build trust,

SUMMARY: THE FUTURE WORKPLACE EXPERIENCE

which is the foundation of great teamwork and the key to attracting and retaining the best talent.

Be accountable. Being accountable means recognizing both your losses and your wins. Such leaders not only own their mistakes; they learn from them and feel empowered to take responsibility for the good results they produce.

Be intrapreneurial. Never have so many companies actively encouraged employees to act like entrepreneurs on the job — to be intrapreneurs inside their organizations. Intrapreneurial leaders motivate others to think, imagine and act in bold, enterprising ways, to take ownership of ideas and to innovate within the organization.

Be future-focused. Organizations that “let go at the top” — avoiding hierarchy, incrementalism and the safety of resting on past successes — will be the ones that are agile enough to leapfrog from opportunity to opportunity in the future.

The other dimension focuses on the *ability to engage people*:

Be team intelligent. While HR departments have traditionally focused on individual employees — recruiting them, developing them and assessing their performance — we are beginning to see the advent of a new capability, one of developing team intelligence, the practice of making team performance great.

Be inclusive. Inclusivity is very different from diversity. Diversity is typically a question of whom you recruit, while inclusivity is about how you include them. It is about creating and — crucially — listening to individuals or teams that represent many different voices. It is a way to foster diversity of thought, encourage more creative problem solving and integrate the input of all stakeholders. It is about building diversity and inclusiveness as cultural values within the organization.

Be a people developer. In the future workplace, being a people developer requires enabling on-demand individual and peer learning. When forward-looking companies provide easy ways for employees to update skills and capabilities, they will be rewarded with a more engaged, longer-lasting workforce.

Companies that practice agile leadership do so starting with the hiring process. They screen for cultural fit. No matter how well qualified someone might be, the candidate must fit the culture to be offered the job. Culture is the glue that binds the dimensions of agile leadership together. ●

PART II: HOW TECHNOLOGY TRANSFORMS THE WORKPLACE

Rule #4: Consider Technology an Enabler and Disruptor

Staying ahead of the technology curve has never been more difficult for corporations. Four questions highlight the key technology drivers converging to create an unprecedented opportunity to transform the workplace experience for both employers and employees.

Enabler. How do we enable our workflow?

Enhancer. How do we enhance our capabilities?

Advisor. How can we make better decisions?

Disruptor. What roles will be disrupted and automated?

Enabler of Our Workflow

Communication is more interactive and visual. Communications at work have become “omnichannel.” New forms of communication are being deployed to better suit the evolving work habits. Michael Frendo, Polycom’s executive vice president of Worldwide Engineering, says “We are seeing a huge trend toward video communications, especially among Millennials, as active users of FaceTime, Skype and Google Hangouts; they are bypassing audio communications and going right to video for all types of needs, from group collaboration to coaching and mentoring.”

The number of collaboration and video tools available to workplaces reinforces the need to rethink how we work. As communication in the workplace morphs into team collaboration, there is a new way to motivate employees called *digital motivation* (also known as *gamification*). Digital motivation takes the essence of game attributes — such as fun, play, transparency, design, competition and, yes, addiction — and applies these to a range of real-world processes inside a company, from new hire on-boarding to recruiting to learning to career development.

Enhancer of Our Skills

Wearable technology is changing what we know about workers, how work gets done and how skills are developed. The spectrum of wearable technology at work has rapidly expanded to now include quantification and measurement, implantable and ingestible, strength and endurance, augmented reality and virtual reality. For example, wearable devices can track the position of employees or soldiers, providing real-time data about their location to remote data centers. Implantable chips

SUMMARY: THE FUTURE WORKPLACE EXPERIENCE

and ingestible sensors are also being piloted today. Virtual reality (VR) is a fully immersive digital experience. The goal of VR is “to engage a user to interact with a simulated auditory, visual and kinesthetic environment as if it were real.” VR technology is ideally suited to be used in on-boarding new hires, and developing employees.

Advisor: Applying Technology to Make Better Decisions

Recruitment, goal alignment and operations efficiencies are among areas where organizations are applying technology to inform decision making. IBM Watson is taking this to the next level using cognitive computing to learn at scale, reason with purpose and interact naturally to answer simple queries from employees. IBM Watson uses data mining, natural language processing and pattern recognition to improve and simplify experiences ranging from banking to healthcare.

Disruption and Automation — Exponential Growth Ahead

Much media commentary has been on job elimination due to technology, but not enough focus has been on how technology will disrupt and at the same time augment jobs. For example, a chatbot is an artificial intelligence computer program designed to simulate a conversation through written or spoken text. Facebook’s AI virtual assistant called M can make restaurant reservations and complete other tasks that combine AI with a team of “trainers” and customer-service experts to ensure M is performing each task requested of it. The botification of the workplace will exponentially expand and allow knowledge workers to work smarter.

To understand the impact of technology on the workplace experience for ourselves, our teams and our organization, we must be committed to continually experiment with new technologies and ask ourselves, how can these be used to deliver a transformational workplace experience? ●

Rule #5: Build a Data-Driven Recruiting Ecosystem

Research from Indeed.com, the job listing site, suggests that technology has all but eliminated passive candidates. The implication is that most candidates should now be regarded as continual job searchers, always on the lookout for new gigs — whether full time or freelance. The process of continual job searching has been made much

easier with apps like Anthology, Job and Switch, as well as proprietary apps developed by employers themselves, each designed to quickly match job seekers’ skills with open positions and introduce job seekers to recruiters.

A recruiting ecosystem intentionally builds the employer brand, uses analytics to vet candidates, leverages employees to pursue referrals and communicates in a transparent fashion every step along the candidate experience.

Manage your employer brand. As companies search social media sites for potential new hires, they must also realize job seekers are doing the same thing in search of potential new employers. Building a strong employer brand, one that communicates the tenets of your workplace culture, is critical in this increasingly transparent job-search process. Your employer brand is essentially what your business is all about, the “what and why of the things we do at this company.” Organizations that build strong employer brands and focus on culture become magnets for continual job seekers.

Train before hiring. Job seekers and recruiters are incorporating training before hiring into the recruiting process. Algorithms are helping recruiters to create and refine job seeker skill sets. Data analytics also helps employers better understand what in-house skills are needed to develop their company’s teams, achieve their organization’s goals and successfully fill open positions.

Use smart sourcing. Smart sourcing is becoming a crucial way for companies to find talent and predict their success on the job. Identifying and amplifying skill sets among promising job seekers is one aspect of a broad and proactive data-driven approach to smart sourcing. Two companies that are using people analytics in new ways to source talent include LinkedIn and JetBlue. In both cases, smart sourcing starts with data to find optimal candidates — whether the candidate sought is a software engineer or a flight attendant.

Tap employees for referrals. Evidence indicates that internal referrals are a significant factor in recruiting success. In the area of employee fit and retention, an iCIMS Hire Expectations Institute study finds 60 percent of internally referred job seekers make strong matches with company culture, and 59 percent stay with the organization longer than other types of hires.

Be transparent with job seekers. There are two types of transparency that job seekers look for in the workplace: first, potential new hires want to work in a culture that is transparent; second, job seekers want a talent-acquisition process that is transparent. Ideally, these elements of transparency should form a through line, a complete interview-to-exit experience of open communication and frankness

SUMMARY: THE FUTURE WORKPLACE EXPERIENCE

about salary, benefits, promotions, career development, company culture and the expectations business leaders set for employees around growth, behavior and work style.

According to Jill Larson, SVP of Strategic Talent Acquisition, People Planning and Services HR at Cisco, there are four new capabilities recruiters must build in their skill set, namely, be data driven, possess a deep organizational knowledge of the business and industry they operate in, understand and build into their people processes the growing importance of employer rating sites, and commit to becoming a brand ambassador for the company. ●

Rule #6: Embrace On-Demand Learning

The future of learning requires reimagining how we help learners learn at the speed of business. There is a movement for workers to become serial learners as one way to avert technological unemployment, defined as the loss of jobs caused by technology disruptions. Helping learners learn at the speed of business requires revisiting every aspect of the learner experience while scaling and measuring differently.

Shift mindset to on-demand learning. The education marketplace is going through a seismic shift. The size of the education market in the United States, as estimated by GSV (Global Silicon Valley), is \$1.6 trillion. This is projected to grow to \$2.0 trillion in 2020. The lifelong learning sector is projected to grow 30 percent. The transformation of learning from designing formal training to creating on-demand learning experiences requires leaders of corporate learning to shift their mindset, budget and resources from developing content to identifying learning from a number of open sources.

Rethink the vision for learning. Best-of-breed learning leaders should consider themselves intrapreneurs who run the business of learning inside their organization. They must have an understanding of where the company's business is going and what mix of skills and capabilities employees need to reach the strategic goals of the organization. For HR and learning leaders, this starts with creating a compelling vision of why and how a company is providing learning to its workers. The adidas Group vision statement for learning is simple: "You Learn, We Grow." This shows the power of a vision statement that is inspiring, memorable and concise. The lesson for learning leaders is, rethink why the investment in learning is so

important and develop a concise and memorable vision that resonates with your company culture.

Expand learning opportunities. The process of identifying the skills and capabilities needed for success on the job has resulted in a fixed set of learning offerings pushed to employees. This is changing as learning leaders shift their focus to create more of a consumer experience in how, when and where workers access learning. Why? Because employees expect an experience that parallels how they order a movie on Netflix or a book on Amazon. General Electric is doing just this with the development and launch of BrilliantYOU, a marketplace for learning and development, which operates much like the Apple Store for Learning.

Build learning partnerships. According to data from Class Central, the total number of students who enrolled in at least one massive open online course (MOOC) has reached 35 million, up from 18 million since inception in 2012. The revolution in MOOCs has moved from higher education to corporate learning as a way to incorporate credentials, provide access in multiple languages, and, importantly, redesign e-learning using an engaging cohort model. Perhaps the biggest reason the MOOC movement has entered corporate learning departments is the power of the MOOC design to engage, inspire and personalize the learning experience.

Communicate the value. Most organizations measure training success based on the learner's satisfaction. "Did the employees like the training?" Instead, analytics should drive an organization's decisions on recruitment, development and engagement. By applying Simon Sinek's model of the Golden Circle in his best-selling book, *Start with Why*, use three simple yet powerful questions to frame a company's learning investment in the language of business. The first question is "*Why* is the investment being made?"—what is the business problem that the training is solving for? The next question is "*How* is the organization analyzing the data?" In other words, what methodology is being used to measure learning? Finally, the last question is "*What* specific business impact is being measured?" ●

PART III: THE CHANGING COMPOSITION OF THE WORKFORCE

Rule #7: Tap the Power of Multiple Generations

When organizations encourage employees of diverse ages and cultures to work together, products and processes

SUMMARY: THE FUTURE WORKPLACE EXPERIENCE

are approached in new and innovative ways. Quite simply, age diversity drives the type of creative thinking that leads to greater engagement and innovation.

Multiple generations in the workplace is the new normal. Workers are staying in their jobs longer. The growth of older workers is driven in part by an increased life expectancy.

What is the implication of living and working longer? We will see more employee compensation packages that include not only salary, bonus and stock options but also generous learning allowances funding skill development for employees. Another implication is younger bosses managing older workers. This phenomenon is already prevalent in industries like IT, professional services and accounting, and it will likely become the norm across all industries as companies promote millennials and Gen Xers into leadership positions while boomers remain in the workplace.

Generational intelligence is the ability to understand the similarities, differences and expectations of each generational cohort. Understanding multiple employee generational cohorts is important to serving multiple generations of customers. Generational intelligence requires a constant focus on the benefits an age-diverse workforce can bring to the organization.

The Workplace Generational Intelligence Framework shares what is important to each generation on three levels:

- **Personal level:** What do workers want for themselves?
- **Team level:** What do workers seek of colleagues?
- **Organizational level:** What do workers expect of the organization?

The opportunity for leaders is this: Use workplace diversity to your advantage, and build an inclusive work environment where diversity adds to innovative thinking. ●

Rule #8: Build Gender Equality

In the United States, women are the more educated part of the workforce even though they only earn 78 percent of the salaries of their male counterparts. According to *Lean In* and McKinsey's survey of 30,000 men and women at 118 North American companies, women held 45 percent of entry-level jobs at the companies surveyed, but their ranks thin out as they rise in the organization. Women are underrepresented at every level

of the corporate pipeline, and this disparity is greatest in senior leadership,

Catalyst, a nonprofit organization focused on promoting inclusive workplaces for women, defines unconscious bias as an implicit association or attitude about the characteristics of an individual — such as an individual's race or gender — that operates out of our control, informs our perception about a person or group of people, and can influence our decision making and behavior toward a person or group of people — even without us realizing it is happening. Companies are recognizing that unconscious bias can seep into hiring and promotion decisions, causing roadblocks in diversity and inclusion programs.

What can you do to move from awareness of unconscious bias to action? Interviews uncovered seven strategies organizations can consider:

1. Measure: It's hard to know you're improving if you're not measuring. Track gender representation across all standard business activities by job level.
2. Be mindful of subtle cues: Who's included and who's excluded?
3. If you see something, say something to challenge examples of bias.
4. Promote employee-resource groups to supplement formal training on unconscious bias.
5. Hold yourself and your team accountable for how you source and promote individuals different from yourself.
6. Create a clear process in advance for making decisions.
7. Pay attention to prevailing gender assumptions. ●

Rule #9: Plan for More Gig Economy Workers

The workforce of the future won't be all full-time employees. It will be made up of consultants, contractors, freelancers, part-time employees and other independent workers collectively known as the gig economy. By the year 2020, Intuit predicts 43 percent of the U.S. workforce — or 60 million people — will be gig economy workers. This data indicates that HR leaders will need to plan for a shift from managing a workforce of almost all full-time employees to managing a more blended workforce of employees and independent, gig-economy workers.

SUMMARY: THE FUTURE WORKPLACE EXPERIENCE

Both employers and workers are driving the rise of the blended workforce. Qualified independent workers are now easier to find, while workers themselves seek greater flexibility.

HR leaders have identified several benefits that companies are realizing by incorporating gig economy workers into their workforce. The top benefits include being able to create flexible teams based on business needs, more immediate availability and access to niche skills on demand. Managing lower labor costs is also an influencing factor. Since companies don't pay social security or Medicare taxes, make unemployment insurance payments, or provide benefits for contractors, the cost of hiring a contractor is often 30 to 40 percent lower than hiring an equivalent full-time employee.

Organizations must determine how to best source, develop, manage and engage gig economy workers. Take a total talent-management approach to the blended workforce. This approach helps HR leaders optimize the supply of independent workers, make faster and better-informed decisions about talent, and reduce the overall labor and infrastructure spend. Here are six strategies to help HR leaders on the path to a total talent-management approach:

1. Develop a strategic approach to sourcing gig economy workers.
2. Define governance and success criteria for managing gig economy workers.
3. Build a partnership between HR and IT to support and manage a blended workforce.
4. Develop a range of strategies to ensure the performance of gig economy workers.
5. Use analytic tools to optimize engagement of gig economy workers.
6. Mitigate legal risk through systematic compliance management of gig economy workers. ●

Rule #10: Be a Workplace Activist

A workplace activist is someone who gives voice to making the changes we all desire in our organization, industry and workplace. Workplace activists can lead these changes in three ways:

Recognize your job is not your job: Ask yourself, "What really is my job?" Fred Kofman, philosopher and

vice president at LinkedIn, says "Your job is not what you do but the goal you pursue. So if you are a corporate trainer, instead of saying 'my job is to design and develop learning programs,' you should think of your job as facilitating continuous learning so your company wins in the marketplace." Now ask yourself what your job is. Challenge your team members to ask the same question of themselves.

Reframe your job description: Ask, "What do I include in my job to help my organization succeed in a volatile, uncertain, complex and ambiguous (otherwise known as VUCA) workplace?"

Rethink how to break HR: Which of our HR processes need to be reimaged for navigating the new world of work? Jayesh Menon, the Singapore-based leader of Global Organizational Effectiveness at Micron Technology, believes the best way to deal with the gap between how HR sees itself and how its clients view HR is to reimagine HR through the lens of a customer. Menon sees the need for HR to assume the role of a workplace activist, identifying big and small changes that HR can create to develop a more compelling workplace experience. This may range from rethinking performance management, to abolishing rigid policies for personal time off and vacations, to creating opportunities for employees to learn when and where they desire.

The 10 rules are opportunities for you to transform and reimagine your workplace. The future workplace will be shaped by each of you as you embark on your journey to become activists and give voice to the changes you see needed in your organization, on your team and, importantly, within yourself! ●

MORE SV CONTENT ON FUTURE WORKPLACES

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Summary: *The 2020 Workplace* by Jeanne C. Meister, Karie Willyerd. The multi-generations that will make up the workforce in 2020 will place new demands on employers who will be challenged to manage employees who have vastly different values, beliefs and expectations. Meister and Willyerd present a functional guide to help you and your organization create tomorrow's workplace of choice.

Webinar: *How to Prepare for a Multi-Generational Workforce* by Karie Willyerd, Jeanne C. Meister. The "2020 workplace" will provide an intensely personalized, social experience to attract, develop and engage employees across all generations and geographies. This webinar will help companies of all sizes to transform their workplace to compete more effectively in a global marketplace.

· Book 5 of 46 ·

39-21 Victory Through Organization

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Victory Through Organization

Why the War for Talent Is Failing Your Company and What You Can Do About It

THE SUMMARY IN BRIEF

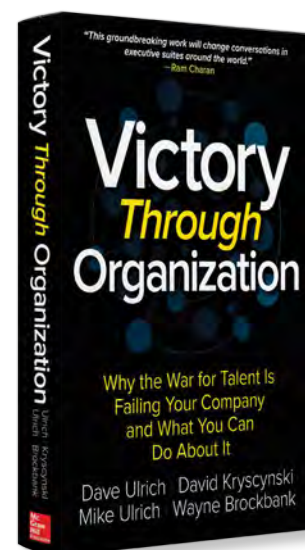
For the past two decades, business leaders and human resources professionals have been consumed with the war for talent, investing vast sums of money to bring in and manage people. The groundbreaking research in *Victory Through Organization* reveals that winning the war for talent requires more than managing people; it requires an organization that turns individual people into organizational capabilities. Data from more than 32,000 people in 1,200 businesses reveal that an organization has four times the impact on business performance compared with individual talent.

Dave Ulrich and Wayne Brockbank, who are professors and advisers to hundreds of companies, have studied the competencies of HR professionals for more than 30 years. With new insights from David Kriscynski and Mike Ulrich, their team collected data from more than 32,000 respondents to determine how HR can deliver both individual competence and organizational capability to add tangible value to key stakeholders as well as to short-term business results. Through this framework, you'll focus on the workplace as much as on the workforce, on process as much as on people, on organizational capabilities as much as on individual competencies.

Victory Through Organization is ideal for business and HR executives charged with building a more effective HR department and HR practices, and it is an essential guide for any HR professional committed to creating value.

IN THIS SUMMARY, YOU WILL LEARN:

- How to upgrade your HR professionals by determining which HR competencies have the most impact on personal effectiveness, stakeholder outcomes and business results.
- To recognize the key ingredients of a more effective HR department with a focus on assessing business information and offering integrated HR solutions.



by Dave Ulrich,
David Kriscynski, Wayne
Brockbank, Mike Ulrich

CONTENTS

Why HR and Why Now?

Page 2

Why Organization Matters

Page 3

Credible Activist

Page 4

Strategic Positioner

Page 4

Becoming a Paradox Navigator

Page 5

Strategic Enablers

Page 5

Foundation Enablers

Page 7

THE COMPLETE SUMMARY: VICTORY THROUGH ORGANIZATION

by Dave Ulrich, David Kryscynski, Wayne Brockbank, Mike Ulrich

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PART I: HR MATTERS

Why HR and Why Now?

HR is not about HR: It begins and ends with the business. Every business is a product of its context. Business success comes when the internal strategy anticipates or responds to external conditions.

When business leaders are asked about their most difficult challenges in responding to external challenges, they often refer to executing with discipline, deploying talent, ensuring leadership, managing change, using information and transforming culture. These are all HR-related issues. Business leaders increasingly recognize that much of their success ultimately comes from wise and well-directed HR efforts.

Bottom line: These days, business leaders care about HR because these HR issues are now business issues.

The Four Forces Reshaping HR Impact on Business Success

There are four reasons why HR matters more now than ever for business success: business context, pace of change, stakeholder expectations and personal context. For HR professionals and business leaders to fully understand the increased expectations of HR, it is useful to recognize and adapt to these four forces.

Force 1: Emerging Business Context. Six categories known as the STEPED framework can be used by leaders to understand how contextual changes affect how businesses operate.

- Social (expectations, values, lifestyle, have/have-nots)
- Technological (information access and frequency)

- Environmental (public policy, social responsibility, care for the planet)
- Political (regulatory shifts)
- Economic (industry evolution, industry consolidation)
- Demographic (age, education and background of people)

Using this framework, leaders can better diagnose geographic or industry trends.

Force 2: Increased Pace of Change. The four trends of the VUCA model (Volatility, Uncertainty, Complexity, Ambiguity) can be used to define the intensity and pace of change. VUCA requires that organizations become agile and responsive. HR professionals can help business teams feel less threatened by and more able to respond to external changes by facilitating structured dialogues around these external trends.

Force 3: Key Stakeholder Expectations. Understanding stakeholder expectations defines who HR must satisfy to help the firm succeed. HR is increasingly being asked to help deliver customer share, investor intangibles, community reputation and partnership cooperation. As these external stakeholder expectations increase, HR plays a significant role in delivering these outcomes.

Force 4: The Personal Context of Today's Work. People's responses to workplace change — and workplace behavior itself — is influenced by six societal shifts (Six I's) that put enormous pressure on shaping the emotional impact of how people live and work: Intensity, Individuation, Isolation, Indifference, Immediacy and In-group (labels). These trends define how individuals live and have the potential to undermine and destabilize organizations. HR professionals have the challenge to shift these into



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Rebecca S. Clement, Publisher; Sarah T. Dayton, Editor in Chief; Masiel Tejada, Graphic Designer; Christopher Cifani, Contributing Editor

SUMMARY: VICTORY THROUGH ORGANIZATION

positive opportunities to enable their organization to become communities of action where:

- Employees channel intensity to create value for others.
- Individual self-interest is replaced by shared purpose.
- Isolation is overcome with personal connection.
- Indifference shifts to renewal.
- Immediacy for today's results become the pathway for a longer-term vision or strategy.
- Labels are replaced with valuing differences that make teams stronger than individuals.

When these six contextual trends turn positive, HR professionals help individuals replace cynicism with commitment and isolation with community. ●

PART II: ORGANIZATION

Why Organization Matters

Organization matters. In fact, it matters a lot. To stakeholders, organization matters more than individual talent. Stakeholders recognize the importance of individual talent, but they primarily hold the organization accountable.

If the focus on talent becomes overly emphasized, it might well be counterproductive to HR's ability to optimize its impact on business performance.

The vulnerability of the talent paradigm is that it focuses on optimizing individual contributions. This is not to say that companies should not do their very best to hire and nurture very good individual talent. However, talent in and of itself will tend not to create competitive advantage.

The competitive advantage is what you do with the talent once you have it. And that is an organization issue.

Competitive advantage is found in making the organizational whole greater than the sum of the parts. It is this integrating and leveraging function of organization that creates competitive advantage.

Organization Capability

The most powerful way to think about organization is through the logic of "organizational capability." Capabilities represent what the organization is good at doing toward implementing its strategy and creating value for its stakeholders.

Capabilities include how the organization patterns the collective human intelligence and activities through integrated infrastructure processes, structures, incentives, skills, training and information flow.

To optimize the likelihood of achieving competitive advantage and business success, here is a four-step process.

Step 1: Firms should first identify the organizational capabilities that they must have to meet the requirements of customers and stakeholders.

Step 2: Companies should then identify the core technical capabilities that will be required to meet these market-based requirements.

Step 3: To fully leverage these technical capabilities and to guide the workforce toward the market-based outcome, the firm must specify its desired culture, that is, how people need to think and behave together in ways that are consistent with market requirements.

Step 4: The full system of organizational practices must then be designed and delivered to build the core technical capabilities of the firm and to encourage people individually and collectively to think and behave in ways that will meet the requirements of their customers and owners.

Organizations exist to fulfill fundamental social purposes that are represented primarily by customers and shareholders. If a company fails to deliver on its socially derived purposes as well as others, then customers and owners withdraw their support. Thus, organizational capabilities must be defined from the outside in. The driving question is *Does your firm have the organizational capabilities that ensure that it meets the current and future requirements of the marketplace better than its competitors?*

Obviously not all customers are equally important. Having a clear understanding of the requirements of your most important present and future customers is paramount.

In addition to customer requirements other criteria may also be applied to identifying a firm's required organizational capabilities including shareholder expectations, process or product technology, economic health of the industry, suppliers' market power, level of industry competitiveness, globalization, the availability of human capital, product life-cycle trends, and the speed of technological innovation.

Integrated HR Practices

The integrated approach to HR has been discussed under a variety of different terminologies including high-performing work systems, strategic human resource management and HR systems. The most accurate terminology is integrated HR systems.

Research has concluded that no single subsystem of HR has significant influence on business performance in isolation. However, the integrated combination of staffing, training and development, talent engagement, job design and information management does have powerful statistical influence on a wide array of organizational performance measures.

SUMMARY: VICTORY THROUGH ORGANIZATION

With a clear understanding of both the desired culture and required technical competencies, the full breadth of HR practices and related policies may then be designed and delivered to create the HR department capable of delivering integrated HR practices. ●

PART III: INDIVIDUAL

Credible Activist

Before HR professionals can consistently have an impact on the organization, they must be invited to be a part of the business conversation. To get a seat at the table, HR professionals need to demonstrate the competence of trust — which comes in part from taking proactive positions with a point of view about the business and HR's role in business success. They need to be Credible Activists.

Credible Activists use earned trust to get invited to business conversations where they can drive the right kinds of business conversations and initiatives. They build upon the trust by focusing on matters important to business outcomes and by delivering impactful results for the business. Once the trust is obtained, Credible Activists take risks that may be outside their comfort zone to challenge organizational norms, practices and ways of thinking.

Influencing and Relating to Others

Credible Activists are conscientious about their relationships with colleagues and business partners and invest in these relationships. They build relationships up and down and across the organization. They also look beyond the organization to develop relationships that will provide an outside-in perspective to help tackle challenges.

To influence and relate to others and to develop relationships, Credible Activists:

- Show a genuine interest in others.
- Act with an appropriate balance of humility and confidence.
- Seek to learn from both successes and failures.
- Demonstrate personal integrity and ethics.

Influence and relationships build trust, but ultimately professional effectiveness starts and ends with results. Credible Activists build credibility over time by delivering results, improving personal and professional performance, developing relationships of trust internally and externally, and using the trust to influence others. ●

Strategic Positioner

HR professionals need to be an equal partner in setting the direction for the organization and getting it moving in the right direction. When HR professionals bring unique information, insights and recommendations about talent, leadership and organization, they become Strategic Positioners who help deliver competitive advantage.

Positioning refers to the HR professional's ability to understand the business context and create a future for the organization — recognizing emerging trends and responding to them. Positioning is more than being able to identify and flex to respond to new opportunities, *it is being able to transform the organization to fit those opportunities.*

The four phases of being a Strategic Positioner are:

1. Master the language and flow of business.
2. Recognize and deliver strategy and sources of competitive advantage.
3. Understand and co-create with external stakeholders.
4. Anticipate and react to external business trends and context.

Today, more than ever, HR work crosses functional boundaries with marketing (building firm, leadership and employee brands), finance (using HR to manage financial returns as well as intangibles for investors), and IT (ensuring that information capabilities are part of a firm's success). HR professionals need to know enough of the language to have the business literacy to understand and contribute to the business conversation.

HR professionals also need to know how the business makes money and what the key differentiators of the business are. Strategic decision making, fast change, infrastructure design, and culture management are key elements of this competency domain.

HR professionals need to know their business's niche — the customers, competitors, suppliers, investors and so on. There is a new focus on external stakeholders. HR needs to know who they are, how to build relationships with them, and how to use them to set criteria for effective people management. For example, customer expectations should inform and become criteria for hiring and promotion, performance management, training and development expectations and leadership behaviors.

HR professionals need to know the context within which their organization operates. They need to understand social, technological, economic, political, environmental and demographic (STEPED) trends and how they affect their respective industries and/or geographical

SUMMARY: VICTORY THROUGH ORGANIZATION

regions. They need to translate their knowledge of the external environment and trends into internal action. It is no longer enough for HR to merely implement strategy created by others; HR must help co-create it by understanding emerging market opportunities.

Being a Strategic Positioner remains a core driver of personal HR effectiveness and using HR to serve key stakeholders and to drive business results. ●

Becoming a Paradox Navigator

No competency domain has a stronger impact on business performance than that of Paradox Navigator. Being an excellent Paradox Navigator may not change how people view HR's overall effectiveness, and it may not directly affect the perceived value HR professionals create for stakeholders, but it does seem to relate to business performance.

Organizations have to be agile to survive. Creating agile organizations requires navigating paradox. Without the debates and dialogues that paradoxical thinking encourages, change is less likely to happen. Navigating paradox accepts and heightens disagreements that enable organizations to change and evolve.

The term "navigating" is chosen rather than "managing" since navigation implies constantly steering and adjusting more than the disciplines of managing, which implies controlling and administering. To survive the four forces of change, organizations have to adjust to change. Such organizational adaptability comes from navigating paradox.

Tensions described by participants in research include centralization versus decentralization, globalization versus localization and freedom versus control. These are clearly paradoxes at work in organizational life.

What Is a Paradox Navigator?

Employees prefer clarity over ambiguity. In the absence of very clear information, employees interpret what is expected of them and do the best with what they have. A Paradox Navigator may force them to face the ambiguities that they have reconciled or address issues that they have implicitly ignored. This may cause them to feel unusual unease and tension in their work. While employees may benefit greatly from being challenged in this way, they may not fully appreciate the challenge and the associated work required.

Some meetings are divergent, focused on generative brainstorming for creative ways to solve a problem. These meetings can last for hours. When the solution needs to come quickly, a Paradox Navigator steps in and stops

the divergent conversation and regrounds the group in practical timelines, though he or she may pay a personal price among his or her peers for deciding to step in and cut back the idea generation.

The opposite also happens. People quickly converge on a solution and agree to move forward without fully considering the embedded tensions and challenges in the decision. In this case, a Paradox Navigator will step in to encourage disparate thought and challenge the status quo. This person may bring up uncomfortable issues that the team has conveniently ignored and force the team to diverge in thought and process. While we may not like that person, we frequently benefit from the opportunity to look differently at important issues when we might have converged too quickly.

How Does One Transcend Paradox?

HR professionals should be able to assess where their organization is relative to navigating paradox. There are some simple and practical steps any HR leader can take to become more comfortable confronting this reality.

Clarify the poles of the paradox: Articulate why both outcomes are important and how they are in tension with each other. Taking the time to clarify the seemingly opposing poles of a paradox and how they relate to each other can provide an important first step toward navigating that paradox.

Define the best outcomes: Explore how the opposing sides of the paradox relate to your criteria for business success to help clarify when to emphasize one or the other side of the paradox.

Try to understand how others experience the paradox in question: Lay out alternatives with pros and cons for each pole. Try reverse role-playing in which advocates of one pole argue for the other.

Find common ground between opposing views: Avoid situations in which a 20 percent disagreement takes up 80 percent of the discussion.

Take small steps forward and learn as you go: Plan for adjustments to the plan, know when you have moved too far and try to establish enough common ground to embrace the paradox together. ●

Strategic Enablers

One of the long-standing paradoxes in the HR profession is strategic (or transformational) versus foundational (or transactional) work. Many in HR continue to advocate that HR should move from transactional to transformational work. Consistent with the rationale of navigating paradox,

SUMMARY: VICTORY THROUGH ORGANIZATION

we believe that effective HR professionals must manage both strategic and foundational HR work.

First Strategic Enabler: Culture and Change Champion

Culture is the identity of the firm in the minds of key customers and made real to employees. It is not enough to have a culture representing values — one must have the right culture comprising an identity. As such, culture must be the norms, behaviors and values *that will induce targeted customers to have a more intense relationship with the firm.*

We selected the term “champion” because the senior business leaders are primarily responsible for culture and change, but top HR professionals champion ideas by observing what is happening, envisioning what should happen and proposing action steps to make the right things happen.

Integrated HR Practices

What line managers and employees overwhelmingly want from HR departments is an integration of its practices around its culture and core competencies. The following four steps can be followed to create and deliver a clean set of integrated HR practices:

Step 1: Differentiate between corporate and business strategy. Corporate strategy asks the question, “Where do we compete?” Business strategy asks the question, “How do we compete in the context of our business environment?”

Step 2: Identify the culture that is required for your firm to win its customers’ hearts and wallets. As a perceived construct, culture may be defined as the identity of the firm in the minds of its key customers. A firm must then ensure that the desired customer perceptions are reflected in employee behaviors. Hire people who fit culture, not just technical skills, then train them with culture in mind. Reward behaviors that reflect customer promises.

Step 3: Clarify the required technical competencies. Competitive advantage is created not by having technical competencies but by how they are created and leveraged in the context of an organization’s culture.

Step 4: Design and implement HR practices and policies. With the organizational categories of HR practices and policies in place, you may then ask specific questions about the alignment of those practices with cultural requirements.

Second Strategic Enabler: Human Capital Curator

Although we focus heavily on “victory through organization,” talent still matters. Human Capital Curator

is the most important competency for creating value for line managers because line managers bear the cost of the absence of key talent and benefit directly from having high-quality human capital within their organizations.

Increasingly, people’s differences are being recognized and woven into talent choices. While organizations are customizing their human capital practices to these differences, they are also discovering that employees have an almost universal need to find meaning and purpose from work. Finding such meaning goes beyond free food and worker-friendly policies to doing work that makes a difference, involving employees in work decisions and creating work communities with positive relationships.

Employee involvement or empowerment programs enable employees to make decisions and take action based on minimal supervisory oversight or approval. Empowered employees can salvage a potentially negative experience and elevate themselves to hero status. In the era of social media, such “wows!” can be multiplied thousands of times over; the reverse can also be the case when employees are not empowered.

Employee development occurs through feedback and coaching. The first level of feedback and coaching is from individuals themselves. Do they learn from their mistakes and do they build on their successes? They may then learn and receive coaching from their team members through direct conversations and elicited feedback. They may learn and receive coaching from their boss, from their internal clients and finally, and perhaps most importantly, they can learn from the company’s customers.

The trend for a Human Capital Curator is to ensure that a positive conversation occurs between employees and their bosses. A positive performance conversation focuses on three parts: helping understanding, which makes a manager more a coach than controller; the data, which highlight what worked and what did not work; and fixing the problem, which focuses on future outcomes. These conversations encourage opportunity not punishment, yet hold individuals accountable for achieving results.

Companies are experimenting with different avenues through which to connect customers to employees, such as locating employees in the customers’ facilities, having customers visit the company’s site, arranging for employees to spend time with customers as they use your products, engaging employees in market research efforts, having customers participate in employee training courses, having employees listen to customer service phone calls, and having employees summarize company references on social media.

SUMMARY: VICTORY THROUGH ORGANIZATION

Become a Better Human Capital Curator

A Human Capital Curator does not impose values but helps others define their values and reach their goals. While the talent systems create organization capabilities, the people who are affected by the systems need to be at the heart of HR work.

Traditionally, employees move from individual contributor into management. However, participants in training programs were asked if they prefer a managerial or technical career track, and the answer was about a 50–50 split. Human Capital Curators help employees make informed career choices and offer technical as well as managerial career tracks.

Help all employees have opportunities to reach their desired potential, but treat employees differently depending on how they perform. Help employees feel like they personally matter to you and to the organization.

Third Strategic Enabler: Total Rewards Steward

Rewards are an integral part of HR solutions. Rewards may not drive performance, but they signal what matters and they reinforce the behaviors.

Compensation systems have two primary purposes: to attract people to join, and then to motivate them to perform. For awards to be effective, they should be: available, linked to performance, visible, timely, reversible and valued by the receiver.

Financial rewards weakly meet these criteria. Non-financial rewards, such as time off and travel, have shown inconsistent motivating potential. Engaging rewards, such as granting a voice in decision-making, are more effective. When people are given challenging responsibilities, autonomy to control their outputs, participation in decision-making, and visible and valuable recognition, it meets virtually all of the criteria for effective rewards.

Total Rewards Stewards can help business leaders use nonfinancial levers to capture employees' passion or well-being. More meaningful nonfinancial rewards come when employees meld their identity to the job, find purpose from the work, build relationships and have control over their work setting. ●

Foundation Enablers

First Foundation Enabler: Compliance Manager

While most do not aspire to an HR career as compliance managers, this work has to be done and done well.

HR professionals should avoid two extremes of compliance management. On the one hand, they should avoid being the policy police — paper pushers and compliance officers who control behavior by fiat and whose primary focus is on what *cannot* be done.

On the other hand, HR professionals cannot ignore regulation and policy. Regulations are generally issued to upgrade the quality of employee life and organization work environment in areas of discrimination, health and safety, and fair treatment.

Compliance often carries with it a negative connotation, especially when considered in the HR context. But appropriate policy compliance is like making the trains run on time. It is about protecting employee rights and being a liaison between employees and management.

Be aware of current and emerging regulation and anticipate its consequences. While few HR professionals are regulatory experts, they can access this expertise. Be transparent about what is happening by holding regulation forums with business leaders and employees.

Compliance management is the heritage of the HR profession that must be carried forward for the profession to gain legitimacy and the opportunity for more strategic work. Getting compliance management right may not directly increase business results or stakeholder value, but it enables these conversations to be held without distraction.

Second Foundation Enabler: Analytics Designer and Integrator

Over the last decade, “analytics” has become a widespread buzzword in HR and an increasingly important concept for HR's future. The underlying agenda of these efforts is to access and use information to make better decisions.

The main value of HR's role relative to analytics is not the application of analytics to the HR department but HR's role in helping apply analytics to the rest of the organization as a part of an overall information strategy.

A primary challenge in information management is how to identify patterns that can be applied to decision-making. The mechanisms for identifying information patterns depend on the types of information being accessed and analyzed.

Unstructured information is unstable and unpredictable. Its patterns are difficult to identify, and its interpretation is problematic. *Socially based* unstructured information exists in the form of hallway conversations, social networks, phone calls and debates in meetings. HR departments may play a potentially central role in creating a social mechanism by which socially based unstructured information is created, shared and utilized.

SUMMARY: VICTORY THROUGH ORGANIZATION

To evaluate the reliability and validity of a proposal or practice, you need to seek evidence. Focus analytics on defining business outcomes and then showing how HR investments will impact those outcomes. Use data to create information that informs choices. Effective HR departments may contribute in each of these steps:

Help the firm *identify* and focus on the most important sources of external information. You don't have to be an expert in market analysis, but you can ask simple, critical questions, such as, "How do we segment our markets?" and "How do we access the most important information?"

Ensure that the most important information is *imported* into the firm and that the less important information is filtered out.

Analyze the information in innovative ways that result in key insights. HR can play an obvious role in championing the importance of hiring and utilizing data specialists who analyze the ongoing stream of information.

Disseminate information by structuring town halls in which market and other information is widely communicated; facilitating specific interactions that result in collaborative insights; and hiring, promoting and retaining people on the basis of their ability to share information.

Finally, these practices have little impact unless information is finally used in improved decision making. HR departments can encourage the *utilization* of information by including it in behavior-based performance evaluations.

Third Foundation Enabler: The Technology and Media Integrator

Technology is dramatically changing how people live and organizations operate. The pace of change in the information environment based on technological advance has dramatically affected business models and HR practices.

In recent years, Human Resource Information Systems (HRIS) have been evolving through four phases.

First, HR technology is used to design and deliver HR practices more efficiently. Employees become responsible for accessing and integrating HR solutions.

In Phase 2 HR technology enables transparency and sharing of information. Employee skills are public domain and companies may approach them without their applying for work.

In Phase 3, HR technology encourages connections by involving more people in decision making and by facilitating collaboration.

Finally, in Phase 4, HR technologies shift toward an experience economy where employees and customers

don't just want information, but the opportunity to create emotional experiences from technology connections. Technology broadens access to experiences and magnifies the experiences through sharing them.

Applying the four-phase emerging trends logic from technology to social media offers HR professionals a glimpse into how to create value from social media work.

First, social media more efficiently connects employees inside with those outside the organization.

Second, social media allows for more transparency of marketplace message. Social media sites get the right information to the right people in ways that work for them.

Third, social media sites build connections among many groups. Social media enables networks to quickly form focus groups who evaluate a new product or service.

Fourth, social media sites may shape an external experience, defined as reputation and brand, of the organization. As customers post their experiences with a firm's products or services on Instagram and elsewhere, the firm can recognize the experiences they are offering customers.

As HR professionals understand these trends, they are better able to provide insights that deliver value to key stakeholders and business results. ●

Now What?

The HR profession is vibrant and evolving. Business leaders are not HR professionals, but business leaders' success requires the insights HR has to offer. HR leaders are sought after to be on boards of directors. HR no longer advocates just to "be at the table" of business dialogue but now delivers real value to these discussions. Never forget, HR is not about HR but about delivering real value to the business. ●

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· Book 6 of 46 ·

Chasing Stars



Chasing Stars

The Myth of Talent and the Portability of Performance

THE SUMMARY IN BRIEF

It is taken for granted in the knowledge economy that companies must employ the most talented performers to compete and succeed. Many firms try to buy stars by luring them away from competitors. In *Chasing Stars*, Harvard Business School Professor of Business Administration Boris Groysberg shows what an uncertain and disastrous practice this can be.

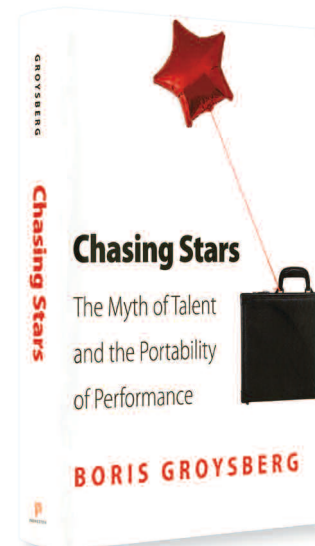
After examining the careers of more than 1,000 star analysts at Wall Street investment banks and conducting more than 200 interviews, Groysberg comes to a striking conclusion: Star analysts who change firms suffer an immediate and lasting decline in performance. Their earlier excellence appears to have depended heavily on their former firms' general and proprietary resources, organizational cultures, networks and colleagues. There are a few exceptions, such as stars who move with their teams and stars who switch to better firms. Female stars also perform better after changing jobs than their male counterparts do. But most stars who switch firms turn out to be meteors, quickly losing luster in their new settings.

Groysberg also explores how some Wall Street research departments are successfully growing, retaining and deploying their own stars.

Chasing Stars offers profound insights into the fundamental nature of outstanding performance. It also offers practical guidance to individuals on how to manage their careers strategically, and to companies on how to identify, develop and keep talent.

IN THIS SUMMARY, YOU WILL LEARN:

- How to save a fortune in poor hiring decisions.
- How even the brightest stars fall when not supported by their team members.
- Why you need to devote real resources to create a developmental, collaborative culture.
- How to win the war for talent.



by Boris Groysberg

CONTENTS

Introduction

Page 2

Part One: Talent and Portability

Page 3

Part Two: Facets of Portability

Page 4

Liftouts (Taking Some of It with You)

Page 5

Part Three: Implications for Talent Management: Developing, Retaining and Rewarding Stars

Page 6

A Special Case of Turnover

Page 7

Lessons from Wall Street and Elsewhere

Page 8

THE COMPLETE SUMMARY: CHASING STARS

by Boris Groysberg

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Introduction

Many knowledge-based firms view their employees as their most valuable resource. At such companies, where it is virtually an article of faith that settling for “B” players is a recipe for mediocrity, managers work hard to attract the best and the brightest. When companies do find first-rate talent, they’re often willing to offer those stars huge salaries, signing bonuses, stock options — in short, whatever it takes. The value of stars is a powerful idea, one that numerous books and management gurus have popularized over the past decade by invoking a so-called war for talent. This assumption is the cornerstone of many companies’ people-management strategies. On its face, the star hypothesis makes sense. After all, a firm can sustain a competitive advantage only if its strategic resources are valuable, rare, lacking substitutes and difficult to duplicate.

What Drives Outstanding Individual Performance?

But reliance on stars is a highly speculative managerial policy because we don’t really know very much about what drives outstanding individual performance. Little clear-cut evidence supports or refutes prevailing beliefs about why some people excel. Both stars and their employers often assume that outstanding performance is the result of a combination of innate talent and good educational preparation.

Another hazard of an unexamined reliance on stars is that the portability of talent — or, more accurately, the prevailing belief in such portability — cuts two ways. A prize-winning scientist may be a unique resource, for instance, but unless he or she is deeply embedded and

loyal, the attractiveness of his or her talents makes that scientist an unreliable source of sustainable competitive advantage. And there is also a risk for the firm that lures that star scientist away: Instead of continuing to excel, he or she might turn out to resemble a comet, quickly fading out in a new setting.

Portable Skills of Knowledge Workers

The extent to which skills are portable is also a compelling question for individual knowledge workers whose stock-in-trade is information and intellectual activity, whether or not they are stars in their fields. Knowledge workers are encouraged by popular career-guidance literature to think of themselves as resourceful free agents with portable stores of knowledge and skills. Determining whether the skills of knowledge workers are in fact portable from one firm to another — or to what degree and under what circumstances they are portable — can potentially shed light on the accuracy of this formulation and the wisdom of building one’s career on it.

Thus, the question of portability continues to offer a promising point of entry into the long-standing debate about the fundamental nature of exceptional performance. If we can determine whether stars’ performance is indeed portable from one employer to another, we may learn something fundamental about the origins and drivers of such performance. Are those who excel in the workplace mobile free agents with highly portable skills or is their performance primarily driven by adept use of the resources of the organization in which they thrive? An answer to this question, even an answer less cut and dried than popular wisdom or theoretical formulations, could shed new light on pressing managerial questions about how to hire, develop, compensate and retain talent. ●



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PART ONE: TALENT AND PORTABILITY

Moving On

Over the last few decades, an increasing number of employed Americans have been knowledge workers. And the growth of this employment sector is expected to continue: The Bureau of Labor Statistics reports that professional occupations will grow most quickly and add more jobs than any other employment category in the United States between 2002 and 2014.

The individuals who hold such jobs — consultants, engineers, software developers, scientists, professors, physicians, technicians, attorneys and the like — view themselves as free agents with portable skills. They attribute their job performance largely to their own talent, skills and knowledge, and thus regard themselves as equipped to be equally productive in any appropriate workplace.

Free-Agent Careers

The concept of an elite work force composed of free agents with portable talent gained currency in the 1990s. Consultants urged talented knowledge workers to view themselves, in the words of one such book, as “free agents using different jobs and organizations as stepping-stones in their self-managed careers.”

The free-agent outlook places a premium on portable skills that can be put to use in a series of jobs, and in which validation and marketability derive not only from the employee-employer relationship, but from external networks of clients and peers. Thus, knowledge workers who expect to change jobs frequently — from one firm to another, between occupations or by switching to self-employment — have been repeatedly advised to acquire a portfolio of flexible skills transferable to other work situations and to cultivate extensive external networks.

More and more workers appear to be making employment choices on the strength of these propositions. One outcome of the tendency for knowledge workers to

view themselves as free agents with portable intellectual talent is a fundamental shift in prevailing employment patterns from long-term employment to short-term transactional relationships between knowledge workers and their employers. The transferability of talent is particularly alarming to employers in businesses where the bond between top performers and their clients renders an individual's client base mobile as well. As a result, firms have become increasingly willing to poach top talent from rival firms. ●

Analysts' Labor Market

The security analysts we studied worked for investment banks, where they tracked firms in a particular industry and developed hypotheses about the economic futures of the companies they covered, typically 10 to 18 companies per analyst. Analysts write reports on these companies and issue recommendations on whether investors should buy, sell or hold the companies' securities.

Star research analysts are widely regarded on Wall Street as free agents. Wall Street considers itself a meritocracy, and outstanding performance of any kind tends to be attributed to personal traits like raw intellectual power, knowledge and effort. But even in this competitive and self-congratulatory culture, research analysts' skills are considered uniquely portable. “Analysts are one of the most mobile Wall Street professions because their expertise is portable,” said research director Fred Fraenkel, explaining perceptions on Wall Street. “I mean, you've got it when you're here and you've got it when you're there. The client base doesn't change. You need your Rolodex and your files, and you're in business.”

Nature Versus Nurture

What accounts for outstanding performance in knowledge-based professions? Are such job skills and performance records portable? To put the question another way, to what degree are exceptional performers like star equity analysts really the free agents they think they are?

In the absence of hard data, managers have typically adopted one of two competing explanations for outstanding performance which, for the sake of brevity, we will call *nature* and *nurture*. Those who attribute excellence to nature typically hire in large numbers, hoping that a few stars will emerge from the crowd, or try to lure proven performers away from other firms.

Adherents of nurture theory, on the other hand, maintain that stars can be homegrown through a mix of training, mentoring, incentives, and a resource-rich and supportive environment. These managers and firms try to

What Are the 'Unique Skills' of Knowledge-Based Workers?

In the words of economist Oliver Williamson, knowledge-based workers, such as artists, researchers and administrators, have “unique skills [that] are rarely of a transaction-specific kind. On the contrary, most of these individuals could move to another organization without significant productivity loss.”

retain and spur on their best and brightest by providing constant training and mentoring, fostering loyalty and a long-term perspective, closely monitoring performance and offering an achievement-nurturing environment.

How can we attempt to sort out what drives star performance? As it happens, the labor market for security analysts exhibits a set of unusual characteristics that make it a remarkably suitable real-life laboratory for examining the sources of outstanding workplace performance. The unique features of this labor market may even make it possible to resolve some of the most pressing questions about the nature of stellar performance. ●

The Limits of Portability

To test whether ranked analysts' performance was portable, we set out to examine whether changing employers affected their rankings in the respected trade journal *Institutional Investor* (II), controlling for individual, firm, sector and intertemporal variables. Using II's annual rankings of the best equity analysts for 1988-96, we collected data on every ranked analyst who departed or joined a firm within one year of ranking. We identified 546 such moves, and then eliminated analysts who transferred to non-research positions or left investment banking entirely. The remaining 366 ranked analysts who joined competitors' research departments represented the core population for the study. Ranked analysts were employed by 78 different investment banks, but the top 24 firms accounted for fully 96 percent of all ranked analysts.

In short, our findings reveal that star analysts who switched employers paid a high price for jumping ship relative to comparable stars who stayed put. Overall, their job performance plunged sharply and continued to suffer for at least five years after moving to a new firm. This evidence refutes the prevailing belief in the industry that analysts' skills are thoroughly portable — independent of a particular firm where they work — and that analysts can move without suffering a decline in performance. ●

Do Firms Benefit from Hiring Stars?

Is the acquisition of a star performer value-enhancing for a firm? Some management theorists advocate hiring outsiders for the fresh perspectives and creativity they can contribute. One study claimed that the "ability to recruit talented people is the obvious first step to winning the talent war." Another made an analogy to genetics, praising the benefits of cross-breeding and alteration of the organization's genetic code. Other researchers have advo-

cated recruitment of outsiders in the interests of improving the performance of veteran employees and promoting competitiveness. Our evidence, however, shows that building capability by hiring stars does not work well. Three undesirable outcomes can ensue. As we've seen, the star's performance can suffer in the wake of the move. In addition, the much publicized outside hire can cause resentment in the department, with accompanying breakdown in morale, teamwork and communication. Finally, the firm can find that it paid more for its new star than is justified by the results.

Re-Evaluating the Hiring of Stars

Hiring a star should be a well-thought-out strategic decision, not a knee-jerk reaction to a perceived opportunity or emergency. Generally speaking, a firm should contemplate hiring a star only to fulfill a specific operational aim: to raise standards or introduce fresh ways of doing business, or to fill a critical slot when there is no time to train anyone internally.

Even when a firm has a clear-cut goal in mind, the potentially corrosive effects on morale and dedication of bringing in a newcomer need to be acknowledged and carefully weighed. There is no avoiding transplant shock. It is also hard to avoid scuttlebutt about the newcomer's salary or up-and-comers' preoccupation with what the new hire means for their own opportunities to advance.

A clear strategy for integrating the newcomer into the department is crucial. In recruitment, it is imperative to keep in mind the larger truth that what ultimately adds value to the firm is the net combination of all its employees. ●

PART TWO: FACETS OF PORTABILITY

Stars and Their Galaxies

In general, firms in our study whose analysts scored low on performance portability also had low turnover. Stars from portability-oriented firms, like Montgomery, Credit Suisse First Boston and Salomon Brothers, opted for exits more frequently than stars from nonportability-oriented firms, like Goldman Sachs, Lehman Brothers and Merrill Lynch. The experience of nonportability companies suggests a powerful connection between keeping employees embedded in firm-specific human capital and processes, and limiting their ability to achieve star performance elsewhere. Both outcomes can result from essentially the same input: an idiosyncratic product, unique culture, system or set of practices that yields firm-specific human capital.

Summary: CHASING STARS

These outcomes differ in one respect, however. Promoting nonportability of performance is rarely, if ever, an explicit corporate goal. Rather, firms that employ knowledge workers seek to make the most of those employees' valuable skills, and different approaches to doing so happen to promote or limit portability.

Fundamentally, portability depends on whether any other firm has an equivalent model. No other firms produced research reports the same way that analysts did at Sanford C. Bernstein. No other firm had Merrill Lynch's systems. And how people are managed and developed reinforces these idiosyncratic products, processes, structures, systems and cultures. Retention, by contrast, is an explicit goal at many firms. In a research department, for example, an analyst lost to a competitor becomes costly in several ways: The investment in training is lost; the analyst has to be replaced at high cost; the replacement must be trained; and the competing firm enjoys the fruits of the former employer's investment in training. Firms that depend on knowledge work would thus do well to link their retention efforts strategically to efforts to create nonportable (and valuable) firm-specific human capital.

Specifically, firms can benefit from understanding — and strategically communicating — how much value they add to their employees' performance. ●

Integrating Stars

Most research on integrating new employees, a field known as *organizational socialization*, looks at inexperienced workers. When we begin to examine the integration of experienced professionals, we are entering virtually uncharted territory. Very little is known about integrating experienced professionals into a new organization.

Many investment banks expect that they can simply “plug and play” a star. But the integration process is rarely that simple. Even stars need time to adjust to new settings, and successful integration has as much to do with the attitudes of veteran employees as it does with the newcomer.

During our interviews, we learned that most research departments had no systematic strategies for integrating star newcomers into their firms. One research director spoke for many of his counterparts: “Obviously, you work to try to get them comfortable with your people and make them feel welcome in the firm, but we probably had about 80 research professionals and we had one research manager. So there just isn't a lot of time for a lot of team building.”

Think Deeply About Hiring and Assimilation

It was striking, however, that the companies that assimilated stars most successfully were those that had

thought deeply about both hiring and assimilation, and had drawn up systematic plans to guide both processes. These companies took the time and effort to analyze and anatomize their own cultures and to pinpoint the desirable attitudes of the stars they had developed in-house. They then set about very deliberately to replicate those attributes by seeking out stars with the same qualities from firms with similar cultures. Furthermore, the best recruiters didn't simply shop locally. They looked beyond best-known firms to identify up-and-comers and relatively less-known stars from regional firms and even from global markets (keeping an eye on cultural-compatibility issues all the while).

We found only a few companies among the 24 investment banks studied in-depth that had thought rigorously about hiring and integration: Two of these firms were DLJ and Goldman Sachs. The other management — whose new analysts also had high rates of post-move success — was unwilling to fully discuss their integration strategies, which were guarded carefully as a vital source of competitive advantage. ●

Liftouts (Taking Some of It with You)

Among star analysts who changed employers between 1988 and 1996, those who moved in teams performed better than those who moved solo. In fact, analysts who changed employers along with teammates suffered no significant decline in performance, in contrast to the decline of those who moved alone. This finding suggests that team-specific human capital accounts for a significant portion of those analysts' performance.

The effect on short-term performance of moving solo was larger than that of changing firms with teammates. The probability of ranking first in the first full year after moving was almost twice as high for analysts who switched employers with teammates as for those who moved solo. This finding provides strong evidence for the effect of in-house relationships on performance. Stars do not develop in a vacuum; their performance depends heavily on the people with whom they work. If they can bring some of that firm-specific relational capital with them from one employer to another, their chances of maintaining their exceptional performance increase dramatically.

Out of 366 ranked analysts' moves, 100 were with other ranked analysts, junior analysts, institutional salespeople or traders. Paine Webber and Alex. Brown & Sons appeared to have built new franchises around superstars by simultaneously hiring complementary staff.

Summary: CHASING STARS

Kidder and Deutsche Bank brought in star analysts only as opportunistic individual hires.

Interestingly enough, the market reacted more negatively to team hires than to solo hires, suggesting that investors believe that firms overpay more to attract teams than they do to capture individuals.

The Stages of a Successful Liftout

In the course of research across a number of industries, we identified four consecutive and mutually interdependent stages that must be worked through for a liftout to succeed:

- The *courtship stage*, before the move, when two series of conversations take place: one between the leader of the team and the leaders of the company interested in bringing the team onboard. During this phase the participants align business goals and expectations, ensure that the market opportunity the liftout is intended to exploit genuinely exists, discuss how they should be integrated with existing staff and ensure that the leader will receive the resources necessary to succeed.
- *Leadership integration*, post-move, in which the leader of the lifted-out team aligns expectations and begins to build relationships and firm-specific human capital in the new environment.
- *Operational integration*, when the leader of the team channels resources to the team, providing them the wherewithal to succeed on an observable level and to gain credibility.
- *Full cultural integration*, during which team members develop relationships with their new co-workers, exchange best practices and are able to build sources of firm- and team-specific capital outside the liftout team in their new firm. ●

Women and Portability

One group of analysts reliably maintained their star rankings even after changing employers: women. Unlike their male counterparts, female stars who changed employers performed just as well as those who stayed put.

In our interviews, we found two overarching explanations for women's portability. First, the best female analysts appeared to have built their franchises on external relationships with clients and the companies they covered, rather than on relationships with their firms. By contrast, male stars built up more firm- and team-specific human capital, investing more in the internal networks and unique resources of the firms where they worked. Hence, in the course of becoming stars, female analysts' performance became portable in a way their male colleagues' did not.

Second, although they relied less on firm-specific capabilities and relationships, women were more careful when assessing a prospective employer. They evaluated possible employers more cautiously and analyzed more factors than men did before deciding to uproot themselves from a company where they had already been successful. Female star analysts, it would appear, took their work environment more seriously yet relied on it less than male stars did. They looked for an employer that would allow them to continue building successful franchises their own way.

The portability of women's performance thus appeared to be the result of strategic choices women analysts made in response to situations they faced at investment banks. Finding it difficult to build relationships with male colleagues, they instead built networks of external ties to clients and to the industries they covered and forged unconventional boundary-spanning in-house alliances. Aware of the sexism that pervaded investment-banking culture, they took care to ensure that a given bank would provide them with the platform they needed to be successful and not hold them back on account of their gender. ●

PART THREE: IMPLICATIONS FOR TALENT MANAGEMENT: DEVELOPING, RETAINING AND REWARDING STARS

Star Formation

If portability of star-quality performance is more often a myth than a reality, it is crucial for knowledge-based firms to figure out how to cultivate and retain their own stars. On Wall Street it was uncommon to do so. Research departments rarely provided formal training or mentoring to supplement the traditional apprenticeship method (assigning a junior analyst to assist a senior analyst, who may or may not have seen fit to oversee the junior's development). Even less common was a concerted internal effort to develop analysts into stars; the most popular means of acquiring star analysts was to lure them from other firms. Only a handful of Wall Street research departments successfully developed their own stars.

Over the course of our study, only nine firms developed more than 8 percent of their analysts into stars. The percentage of unranked analysts who eventually became stars at a given firm varied from 15.4 percent at DLJ and 14.9 percent at Sanford C. Bernstein to only 3 percent at Merrill Lynch and 0.6 percent at UBS. Firms with what we call developmental cultures were far more successful at both producing and retaining stars. Such

firms enjoyed a star-formation rate of 11 percent, compared to 5.4 percent at other firms.

The seven firms with developmental cultures invested significant funding and effort over a considerable period of time in systematic training and mentoring. The other firms had virtually no consistent mentoring or training programs, formal or informal.

It is striking that many of the developmental approaches turned out to share certain identifiable features. These shared characteristics were (1) individualized developmental agendas; (2) cross-fertilization via peer mentoring, mutual critiquing of work products, and sharing best practices and processes rather than affiliating exclusively with one method; (3) the research director's energetic involvement and support of in-house development; and (4) ongoing, open-ended development of mid-career analysts as well as beginners. ●

Turnover

Turnover is a complex phenomenon. We found, first of all, that multiple factors — individual, departmental, firm related, sectoral and macroeconomic — influenced turnover. Second, we found that stars were less likely than non-star analysts to leave their employers. Certain organizational dynamics were also noteworthy: Analysts at firms boasting higher-quality personnel at various levels of the organization were less likely to move. This is an argument for enriching the environment for stars in order to increase retention.

One implication of these findings is that managers' ability to retain employees depends in part on factors outside their control. Managers rarely have much influence, for example, over the quality of employees in related departments whose performance affects people under their supervision. They exercise no sway over the performance of an entire sector or of the broader economy.

Stars might enjoy greater firm-specific skills than non-stars because they have received more training, mentoring or firm resources. Another explanation is that stardom in itself might make an individual more cautious about upsetting the applecart (tinkering with a "good thing") even without specifically crediting any particular features of the existing situation. And, by the same token, the cumulative experience of aiming at a goal and missing it (and thus earning less and enjoying less status) might tend to make non-stars more globally dissatisfied and/or restless.

Individual idiosyncrasies also affect turnover. Fundamentally, turnover is an aggregate measure of numerous decisions that individuals make in expectation that they can do better elsewhere. ●

A Special Case of Turnover

Highly capable star analysts quit their jobs to become entrepreneurs at a higher rate than did more run-of-the-mill analysts. Then, having established their new enterprises, more stars than ordinary performers survived as entrepreneurs, and still more survived when the economy was healthy.

More surprising is the actual rate of three-year survival for ranked analysts' entrepreneurial ventures: 57 percent (as compared to 29 percent for unranked analysts). It is difficult to know how to interpret this finding. In relative terms, this number seems low, especially compared to other professional labor markets.

What does this survival rate tell us about talent and its portability? The least arguable conclusions may merely confirm some unsurprising truths. Talent matters, for instance — hence the superior performance of stars — but it doesn't conquer all. Even the prodigiously talented need a sound idea, capital, good timing, dedicated employees, a platform, systems, energy, confidence and self-knowledge to go it alone. Talent that has been narrowly focused can only sometimes be transformed into a service that the market is willing to pay for separately. And talent might also be best leveraged when market conditions are optimal.

Our findings do suggest, at a minimum, that many analysts' franchises were not portable to entrepreneurial endeavors. Some analysts' skills are so firm-specific that they are not portable at all. Analysts who became entrepreneurs had to learn new skills. Most had to become managers as well as producers, and they had to master general management skills very quickly. And those who started non-research firms or firms in industries that they were not familiar with had the added pressure of learning their way around a new industry context. ●

Measuring and Rewarding Stars' Performance

IT's rankings were by no means the only rating of analysts' skills. *The Wall Street Journal*, Reuters, Greenwich Associates and several other firms regularly assessed analysts' performance. And both client firms and analysts' own departments compiled data about analysts' track records and activities. Much of this information sought to measure, in various ways, prevailing opinions at client firms about the relative value of individual analysts' output. Analysts themselves tended to prefer highly objective external measures because such measures kept them marketable outside their firms.

Summary: CHASING STARS

How research directors used the vast amount of information available on analyst performance depended on whether their firms were developmental or not and whether they tended to impart portable or nonportable skills. The most avid consumers of information on analysts' performance were undoubtedly hands-on research directors. These were the same research directors, by and large, who paid close attention to developing talent and often to promoting teamwork and distinctive nonportable ways of working. Compensation was linked to performance in all research departments, but many hands-on research directors also tended to use performance data separately for development.

Who Is Succeeding and Who Is Not?

The literature on compensation, rewards and incentives, though diverse, is virtually unanimous that an assessment-and-compensation policy needs to be congruent with the firm's overall culture and strategy. ●

Determinants of Portability

We identified a handful of factors that have a decisive impact on portability of performance:

- *The relative quality of the two firms matters.* Stars who moved to superior firms experienced no decline in short- or long-term performance relative to their counterparts who stayed put. Those who moved to weaker (less resource-rich) firms experienced the sharpest declines in performance.
- *The orientation of the employee's firm of origin matters.* Stars who left portability-oriented firms that promoted general human capital performed just as well after moving as stars who stayed put.
- *The hiring and integration capacities of the new firm matter.* The rate at which newly hired stars maintained their ranking or regained it within a year ranged from more than 94 percent at companies most adept at integration to a low of 17 percent.
- *The function an analyst is hired to perform matters.* Stars hired to support existing capabilities performed far better than those hired to initiate coverage of a new sector.
- *Leaving solo or with a team matters.* Analysts who changed employers along with teammates suffered no significant decline in short- or long-term performance relative to comparable star analysts who did not move.
- *Gender matters.* Women's post-move performance surpassed men's.

Lessons from Wall Street and Elsewhere

Researchers look at portability for two reasons, one descriptive and one prescriptive. The descriptive goal is to use portability of performance as a way of examining the nature and sources of exceptional performance. The degree to which individual performance is portable and the circumstances in which it is portable hold the promise of telling us something fundamental about that performance. The prescriptive goal is to offer applicable insight to firms about how to acquire, motivate, retain and compensate talented employees, and to individuals about how to manage their capabilities, resources and opportunities. In both instances, mobility is a phenomenon that offers a window into the nature of knowledge-based work, and portability is the applicable metric.

We found that exceptional performance was more context-dependent than is explicitly recognized by star performers or their employers. The overall decline in performance that accompanied star analysts' career moves demonstrates that the loss of firm-specific resources and relationships has a detrimental effect.

Many Paths to Superior Performance

For both firms and individuals, there is more than one path to superior performance. But it is important to keep in mind as well that firm-specific human capital, of whatever kind — unique systems, specialized training, collaboration, interaction with colleagues — is highly likely to have performance-promoting value for those who possess it. Firm-specific undertakings require effort and investment on the part of the individual employee and thus would not be pursued except in anticipation of a payoff in enhanced performance, compensation and/or tenure. Firms that provide these sources of firm-specificity, and hold forth the credible promise of enhanced performance, compensation and/or tenure for engaging in them, can reap a powerful benefit: They can keep their star performers imperfectly mobile and thus create a potential source of sustained competitive advantage. ●

RECOMMENDED READING LIST

If you liked *Chasing Stars*, you'll also like:

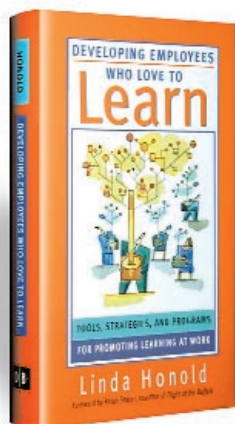
1. **Topgrading** by Bradford D. Smart. Great companies depend on people. Smart's advice gives you an unbeatable hiring advantage.
2. **Who** by Geoff Smart and Randy Street. The authors provide a simple, practical and effective solution for the single biggest problem in business today: unsuccessful hiring.
3. **The 2020 Workplace** by Jeanne C. Meister and Karie Willyerd. This title is a useful guide to help you and your organization create tomorrow's workplace of choice and meet the needs of your future employees.

· Book 7 of 46 ·

Developing Employees Who Love to Learn

Linda Honold

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FILE: PERSONNEL/
HUMAN RELATIONS

By Linda Honold

How to Promote Learning at Work

DEVELOPING EMPLOYEES WHO LOVE TO LEARN

THE SUMMARY IN BRIEF

Imagine a canoe floating down a gently flowing river. Aboard is a manager who's responsible for guiding the canoe and providing direction to the paddlers. The paddlers are the employees, simply doing what they are told.

This image reflects the old economic system. However, navigating today's business world of constant change; instantaneous information and data; and fierce, global competition is a different experience. Instead of a gentle river, think of continuously churning white-water rapids. There's little time for paddlers to wait for guidance from one manager. Everyone must take responsibility; everyone must make quick decisions.

Do your employees have the knowledge, skills and information needed to make decisions? Do they have the self-confidence, as well as the organizational support, to take responsibility and initiative?

The answer to these important questions, according to author Linda Honold, can be wrapped up in one word: learning.

A workforce of employees in a learning mode — that is, motivated and prepared to take responsibility for learning — is key to the short- and long-term success of your company, Honold says. In this summary, she shows what it takes to create such a workforce.

Specifically, this summary presents:

- ✓ **the benefits and unique characteristics of workplace learning;**
 - ✓ **the four key issues that workplace learning programs and tools must address: learning stages, context, learning styles and desired outcomes;**
 - ✓ **a five-step plan for implementing a learning system;**
 - ✓ **a sample of specific tools, strategies and programs for individual learning, one-on-one learning, learning in groups and learning integrated into work.**
- Tools for developing an interest in learning — the first, vital step to becoming a learner — are also presented.

With this primer on the fundamentals of workplace learning, your company will be prepared for the most turbulent of the white-water rapids that — inevitably — lie ahead.



CONTENTS

Why Focus on Learning?

Pages 2, 3

The Characteristics of Learning in the Workplace

Page 3

Workplace Learning Issues

Page 4

Designing and Implementing a Learning System

Pages 5, 6

Tools for Developing Self-Knowledge and Interest in Learning

Page 6

Individual Learning Tools

Pages 6, 7

One-on-One Learning

Pages 7, 8

Learning in Group Settings

Page 8

Integrating Learning With Work

Page 8

DEVELOPING EMPLOYEES WHO LOVE TO LEARN

by Linda Honold

— THE COMPLETE SUMMARY

Why Focus on Learning?

In this world of fierce, global competition; infinite and instantaneously accessible information; and constant change, “every person in the company must, at times, act like a manager,” writes Linda Honold. “All employees contribute to keeping up with the marketplace. Sometimes this means involvement in decision making. At other times, employees must be willing to implement changes recommended by management.”

How can you make this happen? Simply telling employees, “You need to act like a manager,” or, “You need to be open to change,” isn’t good enough. Employees need to have the skills to make the right decisions. Even more important, they need the right attitudes. They must be willing to embrace change and take more responsibility. Such attitudes can’t be taught. Attitudes come from within individuals and can only be changed by the individuals themselves.

The key is to develop a workforce of learners. Learning and change are synonymous. Workers can’t change without learning something. And they can’t learn without changing something.

Other Benefits for Organizations

Developing and maintaining a workforce of learners ensures that the organization can navigate successfully through the choppy waters of constant change and intense competition. Increased adaptability to change, however, is just the beginning. There are many other benefits — to both the organization and the individual — of building a workplace environment that is conducive to the kind of ongoing, self-directed learning required in today’s companies.

For the organization, encouraging and enabling workplace learning offers the following benefits:

Increased productivity and quality. When people are learning, their performance and the quality of their work increases significantly. Before Chaparral Steel implemented learning processes, it produced one ton of steel for every 2.5 to 3 employee-hours. It now produces one ton for every 1.5 employee-hours.

Increased innovation. Employees who are learning are more inclined to innovate, especially if innovation is encouraged and supported by the company.

Competitive advantage. High productivity and

How Employees Benefit from Workplace Learning

While workplace learning benefits the company, it offers additional rewards for employees:

- ✓ **More interesting work.** A job is no longer a routine chore but rather a series of opportunities for new ideas, self-fulfillment and personal growth.
- ✓ **Discovery of career direction.** Learning about what others do can lead to new careers.
- ✓ **Understanding of personal values.** The first step to becoming a learner is self-knowledge, including understanding one’s personal values.
- ✓ **Universal accessibility.** Everyone in the organization can learn — not just the “knowledge” workers.
- ✓ **Personal satisfaction.** Employees develop a strong sense of accomplishment and satisfaction.
- ✓ **Joy of achievement.** Learning leads to a higher level of personal development, which encourages learners to continue learning.
- ✓ **Enhanced employment security.** Employees who learn can handle new developments.
- ✓ **Employability.** Learning is portable.
- ✓ **Increased wages.** Increased productivity and quality of work leads to increased wages.

adaptability, as well as greater quality of products and services, make a company more competitive.

Fewer barriers to communication. Middle managers formerly acted as information gatekeepers. Knowledge was distributed on a need-to-know basis. In organizations that promote learning, middle managers are mentors and teachers, helping employees understand as much information as they need to improve their performance.

(continued on page 3)

The author: Linda Honold, Ph.D., is president and founder of Empowerment Systems, and a consultant focusing on employee learning and organizational transformation.

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Why Focus on Learning?

(continued from page 2)

mance and understand the importance and relevance of their jobs.

Increased employee attraction and retention. A learning environment attracts knowledgeable, motivated new employees.

Increased employee motivation. Pay is an extrinsic motivator. The opportunity to be engaged in one's work as a result of a learning environment is a powerful intrinsic motivator — the motivation comes from within the employee.

Increased benefit from education or training dollars. Informal learning (from mentors or new job experiences) is especially cost-efficient since it requires no additional structures or costs.

Integration of learning into work. Classroom-based training is difficult to apply to the workplace. Learning systems that encourage learning at all times and places help workers integrate the learning into their jobs.

The Characteristics of Learning in the Workplace

How can an organization create and maintain a workforce of learners? The first step is to better understand the characteristics of learning in the workplace. For example, most of us automatically equate learning with a formal setting, such as a classroom. But in the workplace, much learning is achieved outside of formal settings — for example, in the middle of a project, when struggling with a thorny problem or even in the midst of a conversation with a peer or mentor.

Organizational Benefits

Flexibility in setting is just one characteristic of learning in the workplace. Other key characteristics include:

Responsibility for learning resides with the learner. Traditional learning places the responsibility for teaching on the teacher, who determines what students will learn and how. Workplace learning should be managed by the student/employee. Teachers act as facilitators, not imparters of knowledge.

Learning begins with knowledge about self. “What would you like to learn and why?” This is not a question on which most people spend much time. Effective learning, however, requires an understanding of one's learning style, values, beliefs and interests.

Learning occurs just in time for use. Unlike the structured, classroom learning with which many people are familiar, workplace learning often occurs on the spot — when and where it's needed.

Solutions are not necessarily known. The outcome of training is known, at least by the teacher. Workplace learning often depends on experimentation. As an employee struggles to find a solution to a persistent problem, he or she is learning.

Learning requires flexibility in approaches. Experimentation is one approach to learning. At other times, reflection or reading is required. A single “right” approach to learning in the workplace does not exist.

New learning often involves unlearning. Learning often begins with the question: “What are we doing wrong?”

Learning is integrated with work. Some workplace learning may occur in special classroom sessions or during off-site personal development events. Much learning, however, occurs while working, not before or after.

Learning is a conscious process. Unstructured, just-in-time learning does not mean that learning should be “accidental.” Employees must make a conscious decision to be in a learning mode. Otherwise, they will pass up learning opportunities — or perhaps not even realize when they have learned something new. ■

Workers Learn on the Job (If They Get the Chance)

While some learning takes place as a separate activity, much workplace learning occurs during the process of getting the job done.

Nearly 20 years ago, for example, a company opened a packaging facility to make plastic wrapping and wrap products for their clients. The demand for this service was so high that employees had little time to be trained on the new packaging equipment; they learned on the job.

Recently, the company experienced sufficient growth to warrant an influx of new employees at the plant. Veteran workers complain, however, that the new employees, “just don't seem to be able to learn the machinery.”

A closer look reveals the reason: When equipment problems occur, new employees (for the sake of expediency) ask veterans to fix the problem. The process is efficient — less time is wasted. However, if long-term workers fix all the problems, no learning is taking place. The result is that veterans complain about newcomers' lack of knowledge, while new employees complain that veterans won't teach them what they know. The solution is to ensure that veterans act as coaches rather than safety nets to new employees. New employees will then acquire the skills they need to perform their jobs.

Workplace Learning Issues

When designing a workplace learning system and choosing learning tools, you must consider these four important issues:

1. *What stage of learning is targeted?*
2. *What context is appropriate for the learning opportunity?*
3. *Which learning styles are most easily accommodated?*
4. *What outcome do you seek?*

Learning Stages

Different people will be at different stages when learning a skill. Some will be novices, not knowing anything about the topic. Other people will have reached a certain level of knowledge, but need help acquiring more knowledge about the topic.

These stages of learning apply to the self-directed learning process.

Stage 1 learners are people who are unsure of their learning skills. They are not self-directed; instead, they are used to relying on a teacher to tell them what to do. They are not, in other words, in a learning mode. The organization must find ways to push these employees into learning, to get them started so that learning is fun and becomes a way of life.

Stage 2 learners are more self-directed but still need someone to identify what is important for them to learn. They still need some help getting into the learning mode.

Stage 3 learners have the skills and basic knowledge of learning. They are ready to explore a subject area on their own; however, they may still need occasional help refining learning goals and identifying mechanisms for learning.

Finally, **Stage 4 learners** are highly self-directed — willing to plan, execute and evaluate their own learning.

The Context for Learning

The second learning issue to consider involves the context for learning. The most familiar context is **formal learning**, which takes place in a classroom setting and involves lessons led by a teacher. **Semiformal**

learning takes place in a conference-type setting where participants can talk to each other. The facilitator provides a broad outline of the general content and offers some specific content, but then draws on participants' ideas and experiences to create the lesson.

Nonformal learning is planned learning but it takes place in a nonclassroom setting — for example, around conference tables or even coffee tables. Learners are largely responsible for the learning content and process.

Informal learning is acquired through life experiences, either positive or negative. The important thing is to be able to reflect on the experience and recognize it as a learning opportunity.

Learning Styles

The third issue to consider when designing a workplace system concerns learning styles. Not everyone learns the same way. Researchers have identified the following four basic learning styles:

1. **The activist**, who is open-minded and enthusiastic about learning;
2. **The pragmatist**, who is a down-to-earth problem solver;
3. **The theorist**, who is logical and analytical;
4. **The reflector**, who is cautious and observant.

Effective learning systems are designed with opportunities and tools that accommodate each of these styles.

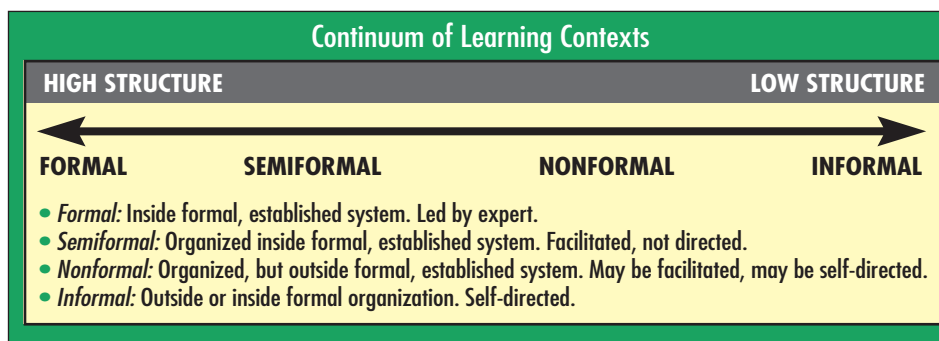
Outcomes of Learning

The fourth and final component to consider is the outcome of the learning experience. There are four potential outcomes of learning:

1. **Cognitive or knowledge learning** develops understanding. For example, a production worker observing a salesperson for a day may not be able to start selling, but would have developed a better understanding of the job.
2. **Attitude and values learning** changes people's perceptions. For example, something that was considered important is no longer seen as important; or what was previously discounted is now viewed as more important.
3. **Skill development**, the most common form of workplace learning, leads to new abilities.

4. **Aspiration learning** changes a person's goals. A production worker might decide to go to school and become an engineer, for example.

As you establish a learning system, keep these four issues in mind. You must always ask yourself if there is a way to redesign the opportunity to make it more applicable to the potential learners. ■



Designing and Implementing a Learning System

According to Honold, the strategy for designing and implementing a learning system consists of five phases: exploration; envisioning; planning; incubation and development; and implementation and improvement.

Exploration

The first phase is exploration. In this beginning phase, you make the decision to create a learning system. You then choose the members of the planning team who will design the system; you also name a team leader.

Envisioning

The second phase in designing and implementing a learning system is envisioning. This phase includes the very important step of identifying the relationship of learning to the organizational mission. Look at your company's mission statement, which may refer to issues such as individual performance, continuous improvement or customer service. These areas all require learning. Articulate a learning-unit mission statement that supports the goals of the organizational mission statement.

In envisioning the mission of the learning system you are designing, it is helpful to understand your organization's underlying principles or beliefs about learning.

There are many principles about learning that can apply to your organization (see box). Narrow them down to a maximum of five fundamental principles. Using these five principles, write a short mission statement followed by a narrative that includes the learning principles.

Planning

The third phase in designing and implementing a learning system is planning. The steps here are straightforward:

1. Analyze current learning opportunities in the organization. Talk to people in each department to determine what they do to learn.

2. Analyze the space available for learning. Does your company have space set aside that can accommodate formal, semiformal, nonformal and informal learning?

3. Determine the components of the learning systems — that is, the specific tools and learning opportunities that you will offer to your employees and managers. We will review a few of these tools in the following section of the summary.

4. Determine your staffing needs. For example, do the learning needs of your company warrant a full-time learning facilitator?

5. Develop the budget for the system. Issues will include the costs of staff, space and instruments for personal development planning. Also, who pays for the

What Does Your Company Believe?

Use your organization's principles and beliefs about learning to design the mission or philosophy statement of your learning system. Here is a small sample of principles that may apply to you:

- ✓ Continuous, lifelong learning must become a standard feature of the workplace.
- ✓ When possible, learning must be taken out of the classroom.
- ✓ Employees and management must both be involved in developing, designing and implementing learning opportunities.
- ✓ When possible, learners should initiate the learning process to meet their needs.
- ✓ Each employee (salaried and hourly, exempt and nonexempt) should have a development plan.

time spent on learning?

Incubation and Development

If the first three phases of the process focus on designing the learning system, the next two focus on implementing the system.

Phase 4 is the incubation and development of the system. Among the steps you need to take are the following:

- Develop the learning opportunities you chose earlier so that they fit your needs.
- Make the learning space you identified earlier ready for use.
- Plan and implement a marketing strategy. How will employees find out about the learning system? What do they need to know? Options might include newsletters, brochures and informal presentations.
- Plan and implement a support system. Individual learning cannot survive in a systematic way without support from the entire organization. What kind of support is needed? Financial support is key. Are personal development or continuing education funds available to employees?
- Develop reward and recognition systems that encourage or push employees to learn.
- Allow employees to create a personal development plan.
- Take steps to turn managers and supervisors into coaches and developers of people.

Implementation and Improvement

The final phase of designing and implementing a learning system is the implementation and improvement process. Launch the learning opportunities that you

(continued on page 6)

Designing, Implementing a Learning System

(continued from page 5)

identified and developed earlier. Then measure and document the success or failures of those learning opportunities and make improvements where you can.

The job, of course, is never over. Evaluating and improving learning systems is an ongoing priority. ■

Learning Tools and Opportunities

In the final section of this summary, we'll present a sample of learning tools and opportunities that can be adopted by or adapted to your organization.

When deciding which tools to include in your learning system, you must take into account the fact that different employees have different learning needs and skills.

Some employees, for example, will need to be pushed into a learning mode. These employees have yet to understand the importance of learning or have not acquired the desire to learn. This summary offers several methods for developing interest in learning and self-knowledge.

Once employees are open to learning, the next challenge is to continue the learning process — which can include individual learning, learning in one-on-one relationships or learning in group settings. This summary offers examples of learning tools and opportunities for each of these three approaches.

The final, but by no means the least important tools covered in the summary will offer opportunities for integrating learning into work — a key element of a successful learning system. ■

Tools for Developing Self-Knowledge and Interest in Learning

The first set of learning tools is intended to help employees develop an interest in learning and self-knowledge. As author Linda Honold explains, "Before learning can become a strategic organizational tool, employees must first engage in it and find value in it." The first step to becoming a learner is for employees to understand themselves — or, more specifically, their goals, learning styles, decision-making approaches and values. Only then will they be able to create for themselves an effective plan for learning and development.

There are a number of famous instruments that lead to self-knowledge. The Myers-Briggs Type Indicator®, which categorizes people according to their perceptions

Personal Values		
BEHAVIOR	OPPOSITE	VALUE
1. Meeting starts late	Meeting starts on time	Respect for others' timeliness
2. Lying about reason for tardiness	Telling the truth	Honesty

and tendencies, is perhaps the most comprehensive of these. Maslow's hierarchy of needs (safety and security, belonging, status and self-actualization) and Herzberg's satisfiers and demotivators are classic tools that will help employees identify what motivates them to learn. In addition to established instruments such as these, many other types of tools can add to an employee's self-knowledge.

For example, a core value chart can help employees clarify their essential personal values. The chart (see example above) has three columns. The left column lists behaviors that make the employee angry. The middle column lists the opposites of the behaviors in the left column. The right column lists the core values that are violated by the behaviors in the left column.

A current skills inventory will help employees identify their strengths. To create this inventory, ask employees to list 10 things they have done that made them feel successful. These items can range from writing a research paper or organizing a project to coaching a youth sports team or teaching a child to drive. Once the 10 items are listed, ask employees to choose the three most important ones for them. Then ask them to write a short narrative describing what they did for each of these three items — that is, identifying the specific skills involved in the activity.

A voluntary, 360-degree feedback process — which shows employees how others perceive them — will also help employees learn more about themselves.

Armed with self-knowledge, employees must now create personal development plans. Of course, learning facilitators will be needed to guide them in this step. The development plan should cover what is to be learned, how this will be learned, what resources are necessary, and how the employee will know when they've learned what they set out to learn. A target date for completion of the learning should also be set. ■

Individual Learning Tools

When individuals enter a learning mode, the challenge of the organization is to keep them learning. Your company can better meet this challenge if it provides a variety of learning tools and opportunities that fit different types of learners.

(continued on page 7)

Individual Learning Tools

(continued from page 6)

One individual learning tool is a learning log or journal. A daily entry in a journal that reflects on the day's events can help employees focus on what they've learned that day.

Job shadowing — following another employee for a half-day or a full day — is a highly effective learning tool that broadens an employee's understanding of his or her own work and its impact on others.

For employees who don't have direct customer contact, working in the customer service department on a regular basis can be another important learning opportunity.

Books and audiotapes, especially if the employee takes time to reflect in writing on what he or she has learned, can be very valuable. Self-study workbook programs are also available for more extensive learning.

Engaging in individual research projects, pursuing innovative personal ideas at work and preparing public presentations are other methods or learning opportunities that contribute significantly to an individual's knowledge and skill set.

Membership in organizations and attendance at conferences and conventions are further opportunities for individual learning.

Finally, employees may want to take advantage of college-credit classes on the Internet or computer-based training offered by the company.

Once again, carefully consider the four learning factors when deciding which tool to use for which employees. For example, the learning log is great for the theorist or reflector and less appropriate for the activist or pragmatist. Job shadowing and direct customer contact, on the other hand, fits well with the learning style of the activist and pragmatist.

Another example: individual research projects are more likely to be successful with Stage 3 or 4 learners — learners who are prepared to take full responsibility for their learning, than with Stage 1 or 2 learners. ■

One-on-One Learning

The next set of learning opportunities involves one-on-one learning. Often, learners will find themselves with the opportunity to learn with and through another person — for example, a mentor, a coach or even a peer.

Mentoring programs are among the most common one-on-one learning opportunities in business settings. According to Honold, mentoring relationships are establishing in six phases:

Phase 1. The mentor and protégé get to know each other.

Remember Four Issues

When choosing any of the tools and methods listed in this final section of the summary, keep in mind the learning factors discussed earlier: the learning stages (how prepared an individual is to take responsibility for self-directed learning); the learning context (formal, semiformal, nonformal or informal setting); learning styles (which, as mentioned earlier, range from the enthusiastic, open-minded activist to the problem-solving pragmatist, analytical theorist and cautious reflector); and the outcome (new knowledge or understanding, new skills, new attitudes and values or new aspirations).

For example, the core value chart is best for Stage 1 or 2 learners, that is, learners who are not self-directed or just beginning to take responsibility for learning. The learning context of the chart is semiformal; it is best for the activist, pragmatist and reflector learning styles. The outcome is both new understanding and new attitudes or perceptions.

Voluntary, 360-degree feedback, on the other hand, requires learners who are further advanced in their self-directed learning skills — in other words, Stage 3 or 4 learners. Another difference: the feedback process takes place in a nonformal or informal setting; the process can be organized, but it does not have a traditional teacher/learner structure. The theorist can take advantage of 360-degree feedback, and in addition to new understanding and values, 360-degree feedback can spark new aspirations in the learner.

Phase 2. Mutual trust develops as they work together and learn from each other.

Phase 3. Mutual risk taking begins as the mentor encourages the protégé to stretch.

Phase 4. The mentor and learner understand each other and create new opportunities for learning.

Phase 5. The learner starts to take a dominant role in the process, initiating changes in the mentoring relationship.

Phase 6. The learner assumes the lead role and begins to separate from the mentor or become a colleague at the same level.

There are a number of steps your company can take to ensure successful mentoring relationships. For example, the process should be voluntary; don't push people to become mentors or protégés. Also, determine clear outcomes for the relationship. Ensure that face-to-face, telephone or e-mail meetings between mentor and learner

(continued on page 8)

One-on-One Learning

(continued from page 7)

er occur at least once a month. And assess the value of the mentoring program with exit interviews of both parties at the end of the relationship.

While mentoring focuses on strategy, coaching offers a chance to learn more specific, tactical skills. A coaching session can be a one-time deal, focused on a specific task or skill. Or it can be ongoing, while still focusing on specific skills.

Coaches are often the learner's boss; however, peer coaching can also be used to upgrade on-the-job knowledge or bring new employees up to speed. Peers can also be mentors. Microsoft, for example, uses peers as mentors for new recruits in technical jobs.

The following mentoring or coaching opportunities are just some examples of the learning opportunities that can be offered to employees:

- **Coaches for learning skills;**
- **Personal coaches contracted from outside the company;**
- **Strategic development advisors to work one-on-one with learners on specific business areas;**
- **Peer coaching for specific skills;**
- **Peer tutoring for learning a language; and**
- **Technical peer mentoring for new employees. ■**

Learning in Group Settings

The next category of learning tools and strategies involves individual learning in group settings.

Courses in a traditional, formal learning context — that is, in a traditional classroom setting, falls into this category of learning tools and strategies. Some companies teach courses on economics to enhance the knowledge of their employees. Other companies offer personal interest classes — ranging from subjects such as math and reading to personal topics (quit-smoking programs, for example) and technical skills (such as small-engine repair or blueprint reading).

Individual learning can also take place in groups outside of formal classes. Learning networks is one example. In learning networks, each individual manages his or her own learning, but receives feedback and help from other learners in developing a plan. The network should meet every four to six weeks to work on issues related to the organization and on the needs of the people in the group. These meetings are strictly related to planning, not the actual learning.

A final example is storyboarding. In this case, a group of people meet to envision the future of the company.

Send Employees on a Field Trip

A very different type of learning opportunity for individuals in groups is a shopping field trip for product comparison. If you manufacture a product that is distributed in retail stores, take a field trip with a work group and note how your product — and that of your competitors' — is sold. Questions that will help you learn from the experience include the following: "How is the product merchandised?" "What are customers seeing when they shop?" "How might your product or its presentation be improved?"

Each person is provided with a felt-tip marker and a large sheet of paper divided into six blank boxes. The facilitator asks participants to fill in box 6 with a drawing that interprets their vision of the future. In box 1, they are asked to draw the present. In boxes 2 to 5, they must show how the company moves from the present to the ideal future of box 6.

These examples occur in a nonformal context. In other words, while a facilitator may help the process, the learners don't just listen to a lecture, they contribute to the content of the learning, which often takes place in a nonclassroom structure. ■

Integrating Learning With Work

The final category of tools and strategies will help integrate learning with actual work — one of the most important ways to create a workforce of learners. Your company must encourage and enable employees to integrate learning into their everyday experiences on the job.

Working on team projects is one strategy for integrating learning into work.

Another popular strategy that closely links learning to actual work is to involve employees in meetings in which their performances are linked to the company's financial goals. Such meetings are the featured characteristic of open-book management; top managers share a company's key financial figures with employees, who can then better understand how their activity impacts the organization's bottom line.

Finally, we cannot forget the work-related learning opportunity emphasized by many management writers and theorists today: mistakes. Learning from mistakes is appropriate for learners of all learning styles and learning stages. ■

· Book 8 of 46 ·

Finding the Next Steve Jobs



Finding the Next Steve Jobs

How to Find, Hire, Keep and Nurture Creative Talent

THE SUMMARY IN BRIEF

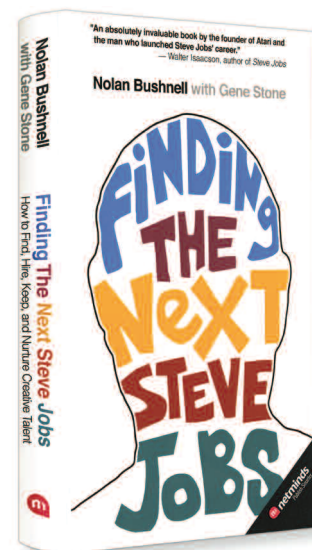
The business world is changing faster than ever, and every day, your company faces new complications and difficulties. The only way to resolve these issues is to have a staff of wildly creative people who live as much in the future as the present, who thrive on being different and whose ideas will guarantee that your company will prosper when other companies fail.

In *Finding the Next Steve Jobs*, Silicon Valley legend Nolan Bushnell's first book, he explains how to find and hire employees who have the potential to be the next Steve Jobs. Bushnell founded the groundbreaking gaming company Atari in 1972 and two years later employed Steve Jobs as well as many other creatives over the course of his five decades in business. In *Finding the Next Steve Jobs*, Bushnell explains how to find, hire and nurture the people who could turn your company into the next Atari or the next Apple.

Bushnell's advice is constantly counterintuitive, surprising and atypical. Some of his wisdom includes: when looking for employees, ignore credentials; hire the obnoxious (in limited numbers); ask unanswerable questions; comb through tweets; and more.

IN THIS SUMMARY, YOU WILL LEARN:

- How to attract creative people to your company.
- The importance of hiring the crazy and obnoxious.
- How to level hierarchy and successfully take your company from vertical to horizontal.
- What good things can come with allowing your creative employees to fail.
- Learn to talk like a creative.



by Nolan Bushnell
with Gene Stone

CONTENTS

Introduction
Page 2

Finding and Hiring the Next Steve Jobs
Page 2

Beware of Poseurs
Page 4

Keeping and Nurturing the Next Steve Jobs
Page 4

Champion Bad Ideas and Celebrate Failure
Page 5

Create a Creative Chain
Page 6

Conclusion
Page 8

THE COMPLETE SUMMARY: FINDING THE NEXT STEVE JOBS

by Nolan Bushnell with Gene Stone

The authors: Nolan Bushnell is the founder of the video game company Atari, Chuck E. Cheese — the first restaurant to integrate gaming into its entertainment model — as well as 25 other companies. Bushnell has been inducted into the Video Game Hall of Fame and the Consumer Electronics Association Hall of Fame, received the BAFTA Fellowship and was named one of *Newsweek's* "50 Men Who Changed America."

Gene Stone, a former book, magazine and newspaper editor for such companies as *The Los Angeles Times*, *Esquire*, Harcourt Brace and Simon & Schuster, has ghostwritten 30 books (many of which were *New York Times* bestsellers) for a wide range of people in many different fields. Stone has also written numerous titles under his own name, including *The Secrets of People Who Never Get Sick*, the *New York Times* bestseller *Forks Over Knives* and *The Watch*.

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Introduction

A "pong" is a piece of advice that applies only where it is helpful and needed, unlike a rule, which thinks of itself as applicable to every situation. That is probably why most rules don't work. Situations vary. Flexibility is always necessary. If you try to apply the same rules to every person or circumstance, you'll find you've planted a field that is sterile and homogenous. In that environment, creativity will wither and die. The constant application of inflexible rules stifles imagination.

The truth is, there are no rules that apply to everyone uniformly — and that rule is the one exception to the rule that there are no rules. This is key when you and your company are trying to create an environment in which creativity can flourish.

Why creativity? Because without it, your company will not succeed. That concept may not sound surprising, but what is surprising is how few companies realize it or actually do anything about it. Creativity is every company's first driver. It's where everything starts. Without that first charge of creativity, nothing else can take place. ●

Finding and Hiring the Next Steve Jobs

Ideas happen faster, knowledge moves faster, competitors react faster. So it doesn't matter what you do or your company does. The odds are overwhelming that

you are going to have to change, and change again and then again. As the world changes, you need to make sure your entire company shapes your product to suit the shape of the new society. The key to survival in this new world is creativity

Creativity must flow freely and liberally throughout the entire company and will only succeed if a succession of many people is in place to guide it along, from the Steve Jobses at the top of the chain all the way down to the potential Steve Jobses at the bottom who will someday be the architects of your future.

Make Your Workplace an Advertisement for Your Company

Atari didn't find Steve Jobs. The company made it easy for him to find it. A good company is a 24/7 advertisement of itself.

Today, if you want to know more about a company, you visit its website. You're typically directed to a tab that takes you to a page inviting you to learn more about the firm and its employment opportunities. It's invariably the most boring page you've seen in your life. There are a number of companies right now that aren't such bad places to work, but their sites are so dull that no one could possibly be enticed to apply for a job there.

If you want ordinary employees, then promote your company as an ordinary workplace. If you want creative employees, then you demonstrate creativity.

When the concept of company-as-advertisement is done correctly, it allows you to sustain a creative ecosys-



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Rebecca S. Clement, Publisher; Sarah T. Dayton, Editor in Chief; Andrew Clancy, Senior Editor; Amanda Langen, Graphic Designer; Melissa Ward, Contributing Editor

Summary: FINDING THE NEXT STEVE JOBS

tem to which creative people are attracted both as customers and as employees.

Adopt Flexible Pongs

Managing creatives is like herding cats. So instead of establishing dispiriting rules, create an organization known for its flexible and original pongs. For example, when Steve Jobs came to work at Atari, he wanted to be able to sleep overnight at the office so that he could work until 3 a.m. and then get five to six hours of sleep. Atari originally had the rule of no overnight sleeping at the office due to security alarm issues, but Jobs was insistent, Atari became more flexible, and as more employees began sleeping over, productivity soared.

The point is that when you're trying to make your company more creative, you want to relax the rigid rules and give your creatives more room to stretch and grow. Create a company known for this kind of freedom, and creatives will come looking for you.

Hire for Passion and Intensity, and Ignore Credentials

If there was a single characteristic that separated Steve Jobs from the mass of employees, it was his passionate enthusiasm. Steve had one speed: full blast.

When you hire for intensity, you are bringing in people around whom you can build an entire department. One of the reasons behind Atari's success was that it always looked for and hired such people. You can train employees in the ways of the company, but you can't train them to be passionate.

As for credentials, a college degree is a fairly meaningless one. It tells you that someone has a certain amount of stick-to-itiveness and managed to get through school. It does not tell you much else. Graduating from college is not a sign of intelligence. It could mean that someone is smart or merely that he figured out how to pass a test, and then, after collecting good grades, forgot everything he learned.

Some of the best creatives didn't graduate from college. Steve Jobs dropped out, as did Steve Wozniak, Microsoft's Bill Gates, DreamWorks Studios David Geffen, Facebook's Mark Zuckerberg, designer Coco Chanel and countless others.

Rather than ask job candidates obvious questions about their backgrounds, school, etc., ask them questions that they'd really need to puzzle over. Pay attention as they do so. What you're trying to discover is, does this person have a combination of curiosity and resourcefulness? Curious people always have a range of interests and a broad base of knowledge in many dis-

parate fields. This trait has nothing to do with college and everything to do with innate intelligence.

Look for Hobbies

One of the best ways to uncover the creative passion of potential job candidates is to ask about their hobbies, particularly ones that are difficult, complex or somewhat time consuming. Hobbies aren't just a sign of passion and creativity. When you have a hobby, you're constantly expanding your knowledge. In *Where Good Ideas Come From: The Natural History of Innovation*, Steven Johnson writes, "Legendary innovators like Franklin ... and Darwin all possess some common intellectual qualities — a certain quickness of mind, unbounded curiosity — but they also share one other defining attribute. They have a lot of hobbies."

Use Employees as Resources

One of the best ways to find creatives is to delegate. Unless the employee search must remain confidential, ask other creatives to help. Your current employees are a treasure trove of possibility. Everyone has a short list of the cool people they'd love to work with again as well as those they want nothing to do with, ever. Get those lists out of people.

Hire the Crazy, the Obnoxious, and Avoid the Clones

Most human resources departments will tell you they want to hire a diverse range of employees. This is a good thing. But there's another important kind of diversity that these departments don't believe in: creative diversity. HR departments have the tendency to hire the same people; these are people who regardless of race, sexual orientation or religion attended the same schools, believe in the same ethos and dress the same way.

Homogeneity does not breed creativity. You don't want a homogenous company where everyone is interchangeable. You want a company that is spiky, where singularities are exceptional people.

Eclecticism is highly undervalued in today's job market. Don't let your company dismiss people who dress differently, dye their hair pink or wear strange jewelry. Minor insanity in the clothing department is a benefit. Every company needs physical and intellectual diversity; such people tend to be creative.

Aside from those with off-the-wall looks, you should also consider people who may be deemed "obnoxious." In some cases, people's arrogance is well-founded because they are, indeed, the smartest in the room and therefore accurate about their perceived value to your

Summary: FINDING THE NEXT STEVE JOBS

company. Is it obnoxious for them to tell you this? Yes. But when you have a problem that needs a brain that can crack walnuts, you want them to get on it.

Steve Jobs understood that Atari was the kind of place that would allow him to flourish, no matter how arrogant he seemed. Perhaps everyone has creative potential, but only the arrogant are self-confident enough to press their creative ideas on others. Steve believed he was always right and was willing to push harder and longer than other people who might have had equally good ideas but who caved under pressure.

As for crazy, there's a fine line between it and creativity. And this isn't clinical insanity; instead, there's a kind of functional craziness that should inhabit your offices, coming from employees who come up with wacky ideas. The problem most companies have is that the crazier the ideas their creatives present, the less likely they are to endorse and promote them. Yet, when first announced, some of the best ideas that have rocked the world were greeted with cries of, "That's totally crazy!"

Hire Under Your Nose

Watching people doing their jobs outside of your workplace is one of the best ways to find creatives to hire. And you don't have to sneak into an agency or design firm to do it. Creatives often have a difficult time finding creative jobs, so they might be the charming and witty waitress serving your family at a restaurant, or the salesperson at a sporting goods store who is knowledgeable, friendly and passionate about camping gear.

Too often people see only what they expect to see. If you expect to see only a waitress, that's all you'll see. If you look at everyone as a possible addition to your staff, then suddenly the world of possibilities has exploded. Take off your blinders; there are creative people all around you.

Actually, you might not even need to leave the office to find creatives hiding in ordinary jobs. Just because they've gotten in the door at your company doesn't mean they are well placed — often they're totally mis-cast. One of the best ways to find them is to practice Management by Walking Around. This means that when you have a problem, get up from your desk and go talk to the receptionist, the woman in accounting, the guy in sales. Often you'll get a new perspective on a problem from someone who knows your business well.

Visit Creative Communities

Creative communities have existed wherever there has been imagination. These communities are always around, whether formally planned gatherings or off-the-

Comb Through Tweets

Think of Twitter as an infinite number of headlines. If a particular subject area meshes with your company's mission, Twitter provides a non-curated platform you can use to find people who are posting creative and smart tweets about your topic of interest. For example, if you were looking for a PR person who can deal with technical introductions, search Twitter for such introductions, see who tweeted them, click on those profiles, and then, by looking at the rest of the tweets, you can determine the person's intelligence and possible fit within your company.

cuff get-togethers. Groups can range from a few people meeting to talk about science fiction to large numbers of people convening to build fantastic projects. And whenever or wherever you find these communities, you'll find potential creative employees.

Beware of Poseurs

You have to be very wary of poseurs who look like creatives but really aren't. How do you recognize them?

1. Don't rely solely on credentials. Poseurs know how to build a terrific looking resume, but do they know how to engineer a chip or develop new tech?

2. When interviewing prospective employees, ask second and third questions about a topic after they've responded so fluently to your opening question. Poseurs are generally fluent in surface jargon. Get them to go into greater depth about a subject, and you may find them starting to lose that verbal acuity.

3. Ask "why" questions. A lot of people know the how of the job, but they don't know the why.

If you're any good at playing poker, then it'll be easier for you to find the "tells," facial expressions and body language that can give away a bluff, which is the poseur's fundamental skill. ●

Keeping and Nurturing the Next Steve Jobs

Ok. You've done all your work. You've thought about where to find the creatives, you've interviewed them, and you've managed to lure them into your company. Now what? As you'll see, it isn't enough just to hire the next Steve Jobses. There's no point in adding these people to your staff if you're not going to do anything with them.

Celebrate and Institute a Degree of Anarchy

One of the best ways to keep creatives happy is to make some happiness happen. One of the best — and most cost-effective — ways to do that is to throw an inexpensive party. Not only is this about having fun, but it also establishes informal lines of communication. At parties, people talk to each other more freely and more candidly than while lurking in their cubicles. Ideas that might never be mentioned in the office because people were self-conscious about offering radical ideas might be brought up.

People often come up with great ideas when you ask them to stop thinking so hard and relax. There's science behind this thinking: When you're constantly working on a specific problem, originality often stops flowing. It's now thought that your conscious brain can handle no more than seven or eight things at a time, but in the background, scores of additional thoughts and concepts are floating around in your mind. When you relax, some of those otherwise not-so-accessible thoughts rush to the surface; therein may lie the solution to the problem you couldn't force your brain to uncover.

Parties serve still another creative function. There are few obstacles to achieving creativity in a company more intransigent than a strictly vertical organization. The more horizontal the company's chain of command, the fewer steps from creator to CEO, and the better off the company is, creatively speaking.

The beauty of parties is they are instant hierarchy levelers — they provide an atmosphere in which anyone can communicate with anyone. Assistants can talk to executives, junior management can gossip with senior management, secretaries can chat with the chairman of the board.

Hierarchy means having managers, sub-managers and sub-sub-managers. When you give people the title of manager, you're enabling them to say no. You want as few people saying no in the company as possible.

The better model is the horizontal company where everyone shows up to work, no one tells them what to do and all the work gets done. This model is called *directed anarchy*, and it's the best way to ensure that creativity and innovation will flourish.

One of the best reasons to keep your company horizontal is that creative leaps don't always originate with your top players. Good ideas can come from assistants, part-time workers — people who are invisible in the strictly vertical company. When your company establishes that anyone can and should contribute, you'll end up hearing some very good suggestions coming from unlikely places.

Skunk It Up

As companies grow, they also tend to balloon in terms of paperwork, logistics and hierarchies. At the same time, they shrink in creativity and originality. One good way to avoid such rigidity is to branch off by creating a subsidiary location. Rent another site and let people work there away from the bureaucracy and stagnation.

In the 1940s, aerospace company Lockheed created a special branch and called it Skunk Works. It was enormously successful, and the name stuck. Today, the term describes any group within an organization that is given a high degree of autonomy and whose mission is to work on advanced or secret projects.

Foster Fairness

A lot of people believe they can game any system — i.e., they can figure out how to get credit for actions that weren't directly linked to positive outcomes. Gaming a system is death to a meritocracy because the people who are gaming it destroy all semblance of fairness.

In the long run, it's best to prevent any one person from taking the credit for a new innovation or idea. Seldom is one concept ever imagined, presented, executed and realized by a single individual. Furthermore, if the original creator takes too much ownership of his idea, he may try to exert too much control over it. No company should empower the person who originated the idea with the ability to censor the person making improvements.

The other problem with the credit game is that if someone is able to take all of it, you've created a culture of individual ownership. Why give the next great idea to your team when you can take it out on your own and get all the glory?

A good corporate culture allows the corporation's identity to meld with the individual employee's. You want your company's services or products to be known as those of your company rather than tagged to a specific creative employee. The more these ideas stay in the family, the more prosperous and happy everyone in the family becomes.

Champion Bad Ideas and Celebrate Failure

One way to enhance creativity is to ask everyone to make a list of all the ideas that had been previously presented at meetings and then rank those ideas from good

Summary: FINDING THE NEXT STEVE JOBS

to bad. Then take the six items on the bottom of the list and ask, “Let’s suppose we were restricted for the next few months to work just on these six terrible projects ... How do we make them work?”

This process reverses people’s normal mental dynamic. Instead of trying to figure out what’s wrong with something, which triggers people’s critical instincts, here they have to figure out what’s right with something, which triggers creative instincts.

If people are reluctant to suggest bad ideas, they are absolutely terrified of failure. And if they’re terrified of failure, they likely won’t succeed. Your company must make failure a tenable option.

Failures are almost never total. You must look at all aspects of a project to see whether it’s really as much of a disaster as you first feared. The truth is that if you’re paying attention, you can learn a great deal from failure. People who are afraid of failure — and afraid of talking about it — will miss out on all the excellent data that results from trying something new and different.

By accepting failure as a necessary part of your business, you rid your employees of the constant fear that if they do something wrong, they’ll be canned. Fear of failure creates an organization that says no to every new idea.

Of course, there’s a right and wrong way to fail. Failure is useful, but too many failures can cause you to fail for good. Unless you’re going for broke and have good reason to do it, never bet more than a small portion of your assets on any one idea. That way, the project can be a total failure and yet allow you not just to survive but also to learn a great deal of valuable information.

Require Risk

Many of the greatest advances in science, exploration, medicine and business would never have occurred if someone hadn’t been willing to walk into uncharted territory. And many companies have survived only because their founders were willing to take risks.

The very definition of risk involves an uncertain future outcome. This does not make the human brain happy. The surer we are about our environment, the safer we feel. Yet, one of the best ways a company can create a healthy ecosystem that fertilizes creativity is to include risk. That doesn’t mean doing anything silly or poorly planned. Risks can be smart, foolish or anything in between. But all companies should have a budget that allows them to spend a certain amount or percentage on projects that are not guaranteed to succeed and on ideas

that allow creatives to figure out solutions to problems that others might not yet see.

Today, with the business environment changing so quickly, companies have to be innovative to survive — even if that means changing their risk-averse culture. And certainly hiring a Steve Jobs is part of that change. The truth is that very few companies would hire Steve, even today. Why? Because he was an outlier. To most potential employers, he’d just seem like a jerk in bad clothing. And yet a jerk in bad clothing can be exactly the right guy to give your company the highest market capitalization in the world.

Taking a risk shouldn’t be considered an option in the 21st century. It’s a necessity.

Mentor

Mentors can serve the usual purpose of helping anyone who’s young or new at a job, but in general, it’s the creative people who need mentors more than others.

By definition, creatives are always working on something that’s different, innovative and new. That means most of the people around them aren’t going to understand it, and this puts creatives in an almost constant confrontational mode with the rest of the company. When someone replies, “I just don’t get it,” that’s rejection. It hurts. To be creative is to go through a tremendous amount of rejection.

All companies must make sure someone is supporting their creatives; someone who is reassuring, clear and who can help them stay on track. This is the role of the mentor. She stops the creatives from feeling so rejected and lonely that their work suffers. She offers to fight bureaucracy, even if she doesn’t understand the product. If she does her job well, the company will profit immensely.

Note: Out-of-company mentoring is also important. Most companies don’t know how to mentor their own creatives, so if this applies to you, try to find ways to connect your creatives with possible mentors outside the company.

Create a Creative Chain

The truth is that creative ideas, products and services are not produced by lightning strikes. They evolve in these gradual, step-by-step processes of analysis and solution. To allow that progression to happen, you must have in place a chain of command (ideally as short a chain as possible) that does everything it can to promote a good idea and help it see fruition rather than stifle it. If your management system is composed of many steps,

Summary: FINDING THE NEXT STEVE JOBS

and each step must first be approved, and approval must come from doubting management, creativity will wither.

To ensure that creativity flourishes, examine if and how creative ideas bubble to the top at your company. Is there a chain of command that nurtures and promotes them? Or is there a chain that drags them down?

Preload Ideas for Your Creatives

Most people will tell you they only want to know as much as they need to know at any given time. Not creatives. When tasking a group of creative people, give them a heads up on their next projects. Their endlessly functioning, hyperactive minds will immediately start thinking about the future even as they are still working on their current projects.

We spend our days unaware of how much information our brain is actually absorbing because that is how it is programmed to work. However, if you were to tell someone that her next project will focus on fire hydrants, she'll start to consciously or unconsciously notice every fire hydrant that she passes and begin to understand nuances and differences among the hydrants that would not have been possible without that prompt. So even though the fire hydrant project won't start for some time, when it does, she'll already be ahead.

Learn to Talk Creative

One of the characteristics of the true creative is a certain amount of intellectual arrogance. Steve Jobs thought everyone he reported to was an idiot. But the point isn't who's smarter. It's not a contest. The point is to help these people create like crazy for you. One of the best ways to achieve this: Don't act like an idiot. Learn as much as you can about them. Learn what they do. And most of all, learn to speak their language.

If someone is working at some high level of technical knowledge, you need to be able, at minimum, to have a conversation with him. If he's developing new software, knowing the difference between Python and Unix is necessary. This doesn't mean you have to know a great deal about the subject, but you should be able to ask a great question and understand much of the answer.

When the manager becomes the student, she gains respect. It gives your creatives the ability to strut a bit, to talk about what they know, and to show how smart they are. There is often very little that's endearing about someone who wants to manage, but much to like about someone who wants to listen and learn.

Neutralize the Naysayers

There are many obstacles to creativity, but one of the most pernicious is other people. Who are these other

people? They are naysayers — easy to spot because they're the ones who prevent projects from taking off, who quash creativity, who sap imagination. They've gained power by being the company curmudgeons. They pretend they're doing this for the company's good, but they're really saying no all the time because it's all they know how to do and because they have no ideas of their own.

At Atari, there was one word outlawed: No. Anyone can say no. There's no mental process there. If you don't like something, the trick is to think of something better. If people aren't comfortable with an idea, allow them to think only about how the project could be better, or come up with ways to turn their apprehension into enthusiasm. This creates an atmosphere of collective problem solving.

Write Down Objections

Every single day, truly creative ideas are being mercilessly killed. The goal is to stop all these good ideas from being murdered. One of the best ways to do this is to ask people to write down their objections. Why? Because it's too easy to kill an idea verbally. Thinking they have to speak up when presented with a new idea, people do, and they almost always feel more comfortable criticizing it than praising it. That's just human nature.

When people write down their critiques with their names attached, they are forced to take personal responsibility for their negative opinions. They are on record saying that they don't think the project will work.

The other advantage to writing down objections is that you can circulate them, allowing the rest of the employees to contribute their ideas as well. And you force people to be more specific. If the worst part of an idea is its cost, writing down actual numbers forces people to become more precise in their estimates and gives the idea's creator a chance to be more precise in her rebuttal as well.

Finally, when people give quick voice to their objections, those objections aren't generally thoughtful. The pressure is to speak, not be accurate. A written statement forces people to explain exactly what they mean with the proper analytics.

Change Every Day, Every Hour

Get your creatives to shake up their lives. Find as many ways as possible to keep their minds active and flexible. Encourage them to find a new route to work, drive through different neighborhoods, shop at new stores, walk through places they've never been before, stop and say hello to different people. Vary their hours.

Summary: FINDING THE NEXT STEVE JOBS

The habits of highly effective people are seldom creative; highly habitual people don't tend to have original ideas. They're trying to have a well-planned life. When all you want is execution, consistency can be an excellent thing. But when you want wild, off-the-wall, uninhibited creativity, it is a spoiler.

What you are really trying to do is jog the brain to think down different pathways. The brain doesn't want to do that. Design an environment for your creatives that makes their brains work harder, think differently, invent interestingly. The greater the uniformity, the greater the sameness. The greater the change, the greater the difference.

Duck Processes

Over the long run, every company develops a balancing act between process and outcome. In the case of modern business, the rule might go: The more you create organizational structure, the more likely it is your processes will become counterproductive. Otherwise, all processes in the world would be useful and good. They're not.

For example, if all purchases have to be processed through the purchasing department, you might be adding something between five days to a month to your purchasing cycle. If someone needs a part quickly, she will have to fill out a form and wait for it to go through the proper channels instead of just purchasing the part using petty cash. On the other hand, if she goes through the purchasing department, she receives a better price because the department has spent time negotiating with the supply chain. But by the time she gets the part, you've lost two weeks.

There has to be a sensible balance maintained between the needs of the creatives and the necessity of process. Process isn't bad. Process that hinders growth is bad.

Mix It Up

One late fall day in 1977, Atari had the kind of problem that most people would envy: too much business. Because there weren't enough night shift workers to process the Christmas rush orders, it was decided that for two weeks, every employee was going to have to toil above and beyond his or her normal duties. The plan was for everyone to come in late in the afternoon, do whatever work they needed to do in an hour, and then take over the night shift on the production line.

Those two weeks not only turned out to be a great deal of fun but also improved the product. On the production line for the first time, engineers were able to see

how their ideas were actually assembled. For instance, it was inefficient to have a screw that took more than three turns to tighten, and yet the engineers discovered that some of the screws required 10 or more turns. They fixed that — and made about 150 other changes as well.

Meanwhile, the salespeople learned many new ways to sell the product based on what they had learned on the line, and sales went up. The accountants were just as sharp and discovered new ways to save money.

Get your creatives out in the field with the salespeople. Invite your accountants into a creative meeting. Fly your managers to a distant distributor or an underperforming outpost. This teaches employees to appreciate the processes and work of other departments and colleagues, and creativity soars. ●

Conclusion

If you can fix your company's bureaucracy, streamline your creative train, establish a workplace where innovation is rewarded and naysayers are denied power, you may well be fashioning a workplace that cultivates creativity. In that case, the next Steve Jobs may already be applying for a position in your company.

However, here's one last pong. It's a simple one: Act! You must act. All the companies that are known for being innovative act. They do things — many things. If you want to have a good idea, great, have lots of good ideas. But if you want to be successful, act on as many of those ideas as you can. Some will fail, but the ones that succeed can change the trajectory of your business. This is one of the traits admired most about the original Steve Jobs: He acted. He was constantly tackling new ideas, putting new concepts into play and looking for the next big thing. ●

RECOMMENDED READING LIST

If you liked *Finding the Next Steve Jobs*, you'll also like:

1. ***The Rare Find* by George Anders.** How to spot the ones who don't look so good on paper but might still deliver extraordinary performance. Anders shares what the savviest talent judges see and what they do differently.
2. ***The Idea Agent* by Lina M. Echeverria.** Echeverria answers how you can harness some of the most passionate, intelligent people in your organization without stifling them.
3. ***The Accidental Creative* by Todd Henry.** To thrive in today's marketplace, all of us have to be ready to generate brilliant ideas on demand. Henry teaches effective practices that support your creative process.

· Book 9 of 46 ·

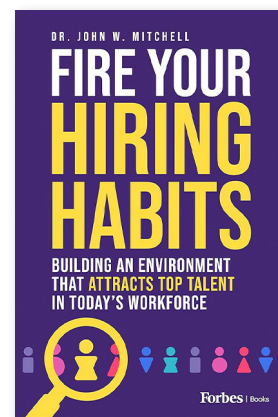
Fire Your Hiring Habits

Dr. John W. Mitchell

Fire Your Hiring Habits

Building An Environment that Attracts Top Talent in Today's Workforce

by **Dr. John W. Mitchell**



Contents

Introduction

Page 2

Chapter 3: Modern Recruiting – Fire Your Old Recruiting Methods

Page 2

Chapter 4: Welcome Aboard

Page 3

Chapter 6: Diversity and Inclusion

Page 3

Chapter 7: What's Your Company Culture?

Page 4

Conclusion

Page 4

THE SUMMARY IN BRIEF

The famous Dylan song goes, “The Times They Are a Changin’.” But what most companies haven’t realized, however, is that the times are changing faster than ever. Corporate culture, the way today’s employees work, diversity, upskilling, and pathways, have traveled far, far ahead from the starting point of the modern workforce.

By urging us to rethink the way we hire today’s workforce, the book ***Fire Your Hiring Habits: Building An Environment that Attracts Top Talent in Today’s Workforce*** lays out result-oriented strategies to help us hire the right talent. Here, we learn to reimagine the way acquisition and retention work in today’s corporate landscape.

Dr. John W. Mitchell arms us with strategies to challenge the old recruiting models that are ineffective in today’s corporate landscape. By offering real and practical insights, the author helps us lead our teams and organizations into a positively transformed workforce landscape.

IN THIS SUMMARY, YOU WILL LEARN:

- How to find the right employees.
- How to challenge the old recruiting models that no longer work.
- Why diversity and inclusivity are so important.
- How to best onboard, train, educate, and retain employees.

Introduction

I set out to write *Fire Your Hiring Habits* as a way to open and expand the discussion on how we hire the right people; how we create dynamic, supportive, and innovative workspaces and places and environments – whether virtual or in person; and how to grow those employees and, in turn, our corporations, customer bases, profits, and contributions to the world.

This includes how to retrain and cross-train, how to find the right employees, and how to challenge the old recruiting models that no longer work. But at its heart, this book is human-centered. We can embrace this modern workforce age and do all of those things – hiring, retraining, and even parting ways – better than we used to.

Every chapter offers real and practical observations and insights to lead you, your team, and your workplace into a thoroughly transformed workforce landscape. In the pages ahead, we'll "fire" the old ways that no longer give us the results we need in favor of embracing the transformation possible right now – within our sights.

Chapter 1: Acquisition and Retention

The pathway of finding employees who are a fit for your company, onboarding them, training them, and then ensuring they want to stay has many moving parts. But in the end, most parts can be separated into either the acquisition or retention of talent. One issue related to acquisitions is the skills gap. There is not a shortage of people to hire – there's a shortage of people who actually have the skill sets you need to draw upon. "Acquisition" has several aspects, which we will center on in chapters three and four: recruiting and onboarding. "Retention" is about meeting the modern needs of today's workforce: pathways, upskills, culture, purpose, growth, and the ability to make a difference. Diversity and inclusion, essential to the modern workforce, are also discussed in chapters five through seven.

Chapter eight will discuss where to get help in accomplishing these kinds of activities. Finally, we will bring it all together and provide you with some tools to better assess where your workplace stands in the new employment landscape as well as with a framework to assist you on your journey to better practices.

Chapter 2: A Glance Back, a Vision Forward

We can't look at present and future ways of changing our hiring habits and work lives until we look backward first. So, if we recognize that times have changed – and changed rapidly – how did we actually get here?

In the 1800s life centered around the family farm or small villages and towns. With the Industrial Revolution, life began to migrate toward the cities and factory jobs. As the twentieth century progressed, we saw the emergence of the "knowledge worker." By the 1950s white men primarily led the march into the office. These men tended to stay at their desk jobs or sales jobs for decades until retirement.

Today's workers want to explore other ways of working. They also demand diversity, equity, and other changes to bring us into this century and beyond.

Chapter 3: Modern Recruiting – Fire Your Old Recruiting Methods

Modern recruiting has largely changed the landscape of finding people and enticing them to come to your team. As Alan Deutschman said, "Change or die," – the needs of workers are constantly evolving and it's critical for organizations to keep pace. Accept and embrace this brave new world. Acknowledge that we have a skills gap impacting many industries, especially electronics.

Disruptive forces are changing every aspect of our lives, especially technology. Human resources departments are disappearing. Recruiting firms are fading away. With the advent of LinkedIn, other employment apps, and technologies that help in recruiting, there are entirely new ways of finding people. Managers must be involved in finding talent. Make sure you're always on the lookout for talent – and then pursue candidates.

The old model of staying at a job for decades is gone. People switch jobs with more frequency. It's time we accept it and reframe our thinking. Different cohorts want different things from their jobs and careers and we must adjust our messaging accordingly to appeal to each. To compensate for the skills gap and to ensure you find the people you need, you must develop your own pipelines. These can include:

- Innovative job fairs
- The Rule of Three application during the interview process. This involves narrowing down three different candidates, interviewed three different times, by three different people, at three different venues.

- People you know or referrals
- Programs like the Gauntlet that train and bring people aboard quickly – and are based on learned skills and competencies, not specific requirements.

Chapter 4: Welcome Aboard

Now that you know how to find your people using new and innovative recruiting methods, it's time to understand how to bring them on board.

Take advantage of new technology including online learning and virtual simulations. Avoid “death by PowerPoint,” and make content as engaging as possible instead. Never forget the “little things,” that form your overall culture including how people usually do lunch hours or how to dress. This can help ensure employees know their way around their surroundings and know whom to go to when they have questions.

Find cost-effective programs for repeatable elements that are not unique to your company. Don't tie up your best resources (your people) where standardized programs can do much of the work. Deploy only documentation and manuals for practices and onboarding that employees can easily refer to on their own as well as for the basics of benefits and employee policies. Ensure your onboarding is consistent, and not dependent on who your new employee's team leader is.

Get people involved in hands-on ways where possible. Remember, today's factories for top companies look nothing like the dark factory days of the 1960s or 1970s. This isn't the I Love Lucy episode with countless chocolates coming down a conveyor belt at high speed and Lucy and Ethel stuffing them in their mouths and under their hats.

Artificial technology, the latest technology, and safer, cleaner, brighter workspaces are the norm today. Production and technician positions can be ideal fits for many people. For instance, older people should be part of your recruitment plan as well because today's factory jobs – with some cross-training – are far less physically demanding than walking miles and miles stocking shelves in a big-box factory or warehouse.

Make sure you are utilizing the latest research on retention and learning. Use tactile, visual, and aural methodologies. Repeat information in manageable chunks. Ensure that employees can refresh their skills. Finally, utilize solutions like filming repeatable onboarding elements so that employees can go back and access them at any time.

Chapter 5: Pathways and Upskilling

Pathways take an employee from a job to a career. They are the roadmaps to advancement and growth along a career path and a desired future position. Pathways demonstrate to your employees that they have future paths with your company. They transform jobs into careers. To ensure maximum efficiency, the pathways you create should have short rungs where possible, especially on the manufacturing floor.

Remember, the top motivator for people is not always money (though money is certainly part of it). What motivates people the most are growth and passion. So, create systems to ensure your employees see their progress. Upskilling is to be viewed hand in hand with pathways. It involves adding new capabilities relevant to changes in the industry or additional skills needed to enhance capabilities. Upskilling can help resolve some of your pipeline issues. Rather than parting ways with a good employee, upskilling can help grow them into a new position or new skills.

“Reskilling” is sometimes used interchangeably with “upskilling.” The difference is, generally, that reskilling is a pivot. It's a totally different skill, not advancing the skills you already have. Some examples of reskilling include an accountant re-training to become a data analyst or a warehouse receiver learning to repair robotic arms. Reskilling is a pivot to a completely new job type. On the other hand, upskilling may lead people to other jobs, but in today's employment environment, that's OK.

Chapter 6: Diversity and Inclusion

Most of the elements of diversity and inclusion impact your corporate culture. If your corporate culture does not demonstrate that it promotes women, for instance, then you are unlikely to attract the best cross-sections of candidates. Therefore, diversity and inclusion impact your hiring habits and recruitment too. While culture and diversity and inclusion appear as different chapters of the book, they are intrinsically intertwined.

Diversity includes many axes – from age, race, religion, ethnicity, gender identity, and sexual orientation to education, disability, and veteran status. Diversity, at the end of the day, facilitates better decision-making.

Companies are increasingly making “diversity pledges,” and prominent CEOs tout diversity as a path forward to innovation. But diversity and inclusion mean nothing without action. You must do more than simply share a rainbow

during Pride month.

Different age cohorts are seeking different things in the workplace. Gender inequality is bad for business. When people are able to be their full, authentic selves at work and are accepted, they deliver better performances. If your company lags in diversity, you need to examine your diversity pipeline. It's not enough to say, "We're not getting diverse candidates." You need to figure out why that is and remedy it. Beware of unconscious bias in your recruiters.

Diverse and inclusive companies often have better financial outcomes. The truth is that you will never attract top talent without a commitment to diversity and inclusion. What's more, today's employees demand it. Increasingly, investors and stakeholders insist on strong diversity. Cultural diversity is policy in action. So ask yourself, "Does my company show its commitment to cultural diversity such as recognizing diverse religious holidays and offering PTO to recognize them?"

Chapter 7: What's Your Company Culture?

Corporate culture is essential to both acquisition and retention. You cannot attract the best people if your corporate culture is a negative one, and you cannot retain the best people in a troubled culture either. Culture includes values and attitudes, shared goals, and approaches to all aspects of a company – both internal and what it projects to the world. It is essential to a business's success or failure. A positive culture is always intentional. It never happens by accident. Employees will consistently rank diversity and inclusion and share values with a company over salary in importance.

A mission statement is a snapshot in time of a company's purpose and meaning. A vision statement is a forward-looking plan for where the company wants to be now and in the future. Changing culture takes time and often involves making significant personal changes along with other adjustments. Your company's culture starts with its management. Understand that management must lead by example. Ethics and integrity are essential to a company's success.

One of the biggest mistakes a leader can make when it comes to corporate culture is to allow bad apples to remain. Remember, a single bad apple is enough to poison the entire culture. Spot the bad apples in your workplace and make plans to part ways legally, respectfully, but firmly.

Chapter 8: Getting Help

Education is absolutely essential to finding and retaining talent. While companies are not in the education business, it's important to create a solid training and education program. For this, you must determine what core competencies are needed and whom to partner with in order to create your pipeline.

Avoid the two extremes of core competency training: sink or swim. In addition, avoid handling all training on all things in house. Acknowledge that your company and competencies are not fully unique. Obtain broad training from outside sources. Use internal training for what is truly unique and specific to your company. Finally, figure out what requires hands-on training.

You can use internships as a way to "try out" a potential new employee and vice versa (give them the chance to check out as well, if they want to). Ensure credentials are stackable. Consider high school and community college as sources for certain positions.

Conclusion

I hope you have garnered ideas for how you, too, can Fire Your Hiring Habits and evolve into the most modern, diverse, equitable, inclusive, and successful company. From the very beginning of our journey with the "way, way back" time machine of human resources progress through new recruiting methods, the importance of onboarding to the progress in upskilling and reskilling employees, to addressing diversity, inclusion, equity, and culture, the modern workplace has never been more open to opportunities (even though we can still go further!). Now that you know how to "fire" your hiring habits, it's time to build a workforce designed for success!



Dr. John W. Mitchell is a thought leader who has transformed the way we look at advancing and resolving education, nonprofit leadership, and advanced manufacturing issues. As President and CEO of IPC, a global trade association representing all facets of the electronics industry, Dr. Mitchell has championed new solutions supporting standards development, improving member relations, advocating regulatory change, and new learning management platforms to address workforce issues.

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· Book 10 of 46 ·

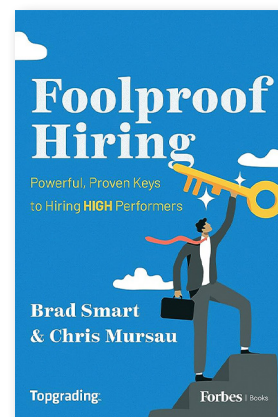
Foolproof Hiring

Brad Smart, Chirs Mursau

Foolproof Hiring

Powerful, Proven Keys to Hiring High Performers

by **Brad Smart and Chris Mursau**



Contents

Introduction

Page 2

Chapter 1: Your Hiring
Experience Is Disappointing

Page 2

Chapter 4: Hiring Problem
#1–Not Enough Applicants

Page 3

Chapter 7: Hiring Problem
#4–Worthless Reference
Calls

Page 4

Conclusion

Page 4

THE SUMMARY IN BRIEF

Great talent is the life force of every company. The equation here is simple: the right employees will help your company march towards success and the wrong ones will inevitably stunt its growth. Sadly, a lack of the right talent is one of the most pressing issues every management faces.

By addressing the most prominent flaws in hiring, the book ***Foolproof Hiring: Powerful, Proven Keys to Hiring High Performers*** transforms your hiring activities from a series of guessing games to a series of progressively deeper and far more accurate insights into candidates. It helps you correct the flaws in your recruitment processes, arms you with the right tools and skills to extract the right candidate candor and helps you deploy precise verification strategies to determine whether an employee is an A Player or not.

Authors Brad Smart and Chris Mursau decode why you may struggle with hiring top talent, how you can deploy Topgrading methodology to increase your A Player pool, and how you can tackle problems that may be plaguing your hiring processes. From the vantage point of hiring, this book can be your guiding light to set your organization up for success.

IN THIS SUMMARY, YOU WILL LEARN:

- What an A Player is and how you can hire a bigger pool of them.
- Why Topgrading is the best way to hire A Players.
- The major mistakes in hiring and how to fix them.
- How to measure your hiring results.

Introduction

Talent, or more accurately, a lack of talent consistently comes up as one of the top concerns of CEOs, human resources leaders, and talent acquisition managers. Training, development, and succession planning may have an impact on the level of talent in an organization. However, talent starts with hiring.

Typical hiring processes use flawed recruitment methods. They use ineffective applicant-screening tools and often fail to generate candidate candor. Shallow interview methods that are unrevealing can often stunt a company's ability to hire top performers. Furthermore, today's hiring methods fail to provide reliable verification and companies can never know if someone is a great hire or a poor performer.

Fortunately, there are several ways you can truly improve hiring results. This book shows you how to attract a lot of applicants, effectively screen in just the best candidates, ensure candidate transparency and honesty, and get an accurate verification of what candidates say.

Chapter 1: Your Hiring Experience Is Disappointing

Most companies work hard to get a lot of resumes to increase the probability of more A Players in the hiring funnel. Even if you do get many resumes, it still takes several hours to plow through all of them and figure out with whom you should actually talk. Most of the time, there is serious fiction in the resumes you receive. Unfortunately, this turns hiring into a guessing game where you try to figure out which resumes might fool you.

During a typical recruitment cycle, you use some common screening tools, require candidates to complete an intelligence test, and your ATS uses artificial to do a keyword match between the job ad and the resumes you received. In short, you deploy those zillion AI-assisted screening apps that promise to identify A Players. After going through countless processes, you finally hire two candidates, only to realize they were far from being A Players.

Such disappointing results occur not because you are deficient as a leader. But because your hiring method is failing you and your company. We wrote this book after sifting through decades of experience, hundreds of case studies, and thousands of testimonials. We then distilled our hiring books, podcasts, webinars, articles, and more to highlight the essentials you need to get started.

Chapter 2: Set the Standard—Hire A Players in Every Job

A Players are high performers that managers would enthusiastically rehire. They are in the top 10 percent of talent, at a compensation level enough to achieve success. A Players meet all key competencies within a reasonable amount of time and fit your organizational culture well.

But if an A player doesn't have the potential to be promoted, they will likely not be a good fit for the position. For instance, an A Player sales rep who is not interested in, or likely any good at, leading others will only be an A Player sales rep, not an A-Player VP. But if you hire enough promotable A Players, you can promote them from within instead of hiring externally.

Most A Player executives have failed in a job and they learned from the failure. Therefore, when hiring A Players, it's important to consider those who have failed but knew how to learn. If your HR managers can improve the Quality of Hire, they are A Players. CEOs must not only hire A Player HR professionals but also empower them to uphold A Player standards.

For best results, it's important to hold people accountable to achieve these standards and let them know they cannot keep their jobs if they fail. Underperformers will usually quit rather than wait to be fired.

Chapter 3: Measure Your Hiring Results

When Topgrading is implemented, the only acceptable hires are A Players and A Potentials – people who are not yet A Players but who, with experience and training, are “getting there.” Everyone short of that is a mis-hire.

Start with measuring the cost of hiring mistakes. Think of a specific non-A Player you've worked with and estimate expenses in categories including hiring costs, compensation costs, cost of maintaining the person in the job, severance, and cost of mistakes and missed business opportunities.

Measure your hiring success rate. This success rate is defined by “filling an open position with an A Player.” Estimate how many A Players you have on your team. Theoretically, if you only hire A Players 50 percent of the time but keep firing non-A Players and hiring replacements, you could end up with mostly As on your team. Typical hiring results are 25 percent A Players, 50 percent Bs, and 25 percent C players

Topgrading case studies show improvement from 26 percent to 85 percent of high performers hired. Topgrading organizations initially strive for 75 percent of A Players hired but raise the goal after achieving it.

Chapter 4: Hiring Problem #1–Not Enough Applicants

If you have just half a handful of applicants, there is only a slim chance that this tiny pool contains an A Player. Hiring the least bad candidate out of this pool of candidates pretty much assures disappointment.

To resolve the issue of low application levels, make your job ads and “Careers” page exciting, enticing, and engaging. Start your hiring process by creating a job scorecard. The components of a good job scorecard include

- Requirements and technical skills (screening)
- Measurable accountabilities (what – results)
- Core values, key and important competencies (how – behaviors)

Work to get twenty-plus applicants per opening to have a good chance of hiring an A Player. Create SEO-friendly job posts, post the job on your website, encourage everyone to tap into their network and pay referral fees to employees who recruit A Players from their personal networks, use job boards, increase compensation, and always be recruiting. Finally, define recruiting metrics, set targets, and hold the team accountable for achieving results.

Chapter 5: Hiring Problem #2–You Are Fooled into Hiring Low Performers

The single biggest problem in hiring is: candidates can fool you because they assume they can get away with it when companies discourage managers from taking reference calls. In fact, more than 50 percent of applicants lie on their resumes and continue the fiction in interviews, tests, and reference checks with buddies.

To avoid these issues, you can use the Topgrading Truth Motivator. This helps let candidates know from the start that a final step in hiring is for them (not you) to arrange reference calls. These calls can take place with managers a candidate has reported to and with others they worked with

in the past. Reference calls are usually made once a job offer is on the table.

Remember, retained search firms get paid regardless of whether you hire someone or not. For each of the last editions of Topgrading, two hundred CEOs were asked, “What percent of the time, when you’ve used an executive search firm, have you been satisfied with the result?” Up to 80 percent of the time CEOs said they did not get their money’s worth using these firms. The reason is simple. Search consultants produce sugarcoated reports that do not include any of the candidates’ significantly weaker points. You can get far better results from recruiters by requiring them to explain the Truth Motivator to potential hires.

The Truth Motivator motivates candidates to either be forthcoming or simply drop up. The result is you reduce the screening time by 50 percent. When you save time, you also save money. The Truth Motivator also makes hiring, onboarding, and coaching more effective and Topgrading makes the entire process fairer and more ethical.

Chapter 6: Hiring Problem #3–Shallow, Unrevealing Interviews

Sure, competencies interviews do certain things well such as providing structure, addressing some competencies, and including the same questions for all. However, these interviews have some serious flaws. They can be too short, address too few competencies, and are easily faked. The result is a higher number of mis-hires.

This is where the need for Topgrading comes in. This process offers a chronological, in-depth, and structured way to help companies extract the most powerful, difficult, thorough, and revealing interviews.

Always follow the Topgrading interview guide for fairness, legal defensibility, thoroughness, and accuracy to hire better candidates. For professional individual jobs and managerial jobs alike, make sure you have two interviewers conduct the Topgrading interview. Both interviewers can take mental breaks and be confident that their partner can come in, ask questions, etc. If you don’t connect some dots, there is a good chance your partner will. Include a primary interviewer who would ask most questions and take some notes and a secondary interviewer, who will ask some 100 questions and take lots of notes.

Topgrading also makes way for fairer interviews. It enhanc-

es diversity, equity, and inclusion (DEI) because fairness has been embedded in the method since it was created.

Chapter 7: Hiring Problem #4–Worthless Reference Calls

You would love to verify what candidates have said because the most valuable information you can get about a candidate is an honest assessment of their prior performance with former managers. But companies are fearful of the perceived legal risk of managers taking reference calls and the manager or the company being sued by a former employee because of negative things said about their performance or character. So, naturally, most companies discourage managers from taking reference calls.

Conduct candidate-arranged reference calls with bosses and others when the candidate is willing. This, again, usually happens when a job offer is being discussed. You can expect candidates to arrange calls with 90 percent of the people with whom you want to talk.

If references balk at arranging calls, you can change the purpose to “personal,” not a “business call,” after of course asking the HR’s permission. You can talk to people who have left the company, or make the job offer contingent upon no surprises when the references call is made – this can hold even after you hire the person.

To make sure you and your organization remain protected throughout the process, stay in line with your state and local laws. Finally, in the future, don’t just permit but encourage managers to take reference calls, even if the former employee was a poor performer.

Chapter 8: Hiring Problem #5–Applicant-Screening Tools Don’t Work

There are many proven and effective ability, skill, knowledge, and interest tests. Some personality tests like Myers-Briggs, and MMPI are too often misused and others do more harm than good by eliminating many A Players as C Players.

We’ve said the personality tests can be faked, so the results are suspect. Ironically, because the PreScreen Snapshot has the Truth Motivator in the instructions, candidates filling out the PreScreen Snapshot form are probably honest, and you can probably trust their personality test results.

Generally speaking, AI-assisted screening tools have the potential to be:

- Fairer than conclusions by interviewers who might harbor biases
- Fairer than unstructured interviews that have a bias
- A great time-saver for recruiters
- Acceptable to candidates
- Inexpensive
- Effective like the best employment tests

Unfortunately, however, in recent years, there has been a flood of AI-assisted screening tools fraught with widespread problems. Although their marketing looks great and claims sound logical, AI-assisted screening tools are the most quoted cost-of-mishire form in the world.

When choosing an AI-assisted screen tool, it’s important to focus on its fairness and lack of bias. This is where the Pre-Screen Snapshot comes in. It is a two-job form that identifies the most honest and highest-performing applicants. It does not suffer from the many proven flaws of most testing tools and applicant-screening instruments.

Conclusion

The advice in this book can be summarized as the Topgrading Formula:

$R + PSSS + TTM + TTI + RC = \text{Career Success for Managers and Increased Company Profit}$

Here, R stands for recruiting the right way, PSS refers to the use of PreScreen Snapshot, TTM means using the Topgrading Truth Motivator, TTI is all about conducting tandem topgrading interviews, and RC refers to conducting candidate-arranged reference calls. By deploying these hiring strategies, you can foolproof your company’s success and increase the efficiency of your human resources team.



Brad Smart is frequently acknowledged as the world's foremost expert on hiring. Brad's firm, Topgrading, Inc., consults with many leading companies and hundreds of small and growth companies. Brad has interviewed over 6,500 candidates for hire and promotion to executive positions. President of Topgrading, Inc. since 2018, **Chris Mursau** has conducted over 3,500 in-depth assessments for internal and external candidates and helped a vast array of organizations pack their teams with A Players.



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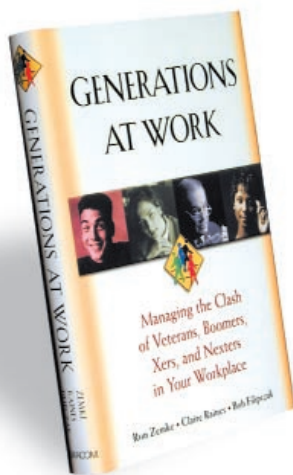
· Book 11 of 46 ·

Generations At Work

Ron Zemke, Claire Raines, and Bob Filipczak

SOUNDVIEW Executive Book Summaries®

FILE: PERSONNEL



By Ron Zemke, Claire Raines
and Bob Filipczak

Managing the Clash of Veterans, Boomers, Xers and Nexters in Your Workplace

GENERATIONS AT WORK

THE SUMMARY IN BRIEF

Today's American work force is in a unique state. Never before has there been a workplace so diverse in so many ways, particularly in the range of ages that coexist on the job. The result: a generational diversity that can frustrate and challenge the work force as much as it enriches it. A gulf of misunderstanding exists between older, not so old, and younger employees — a gulf that grows more problematic with the passing of time.

Managing this mélange of ages, faces, values, and views is an increasingly difficult duty. In *Generations at Work*, Ron Zemke, Claire Raines, and Bob Filipczak identify the players, problems, and potential solutions with which every manager of a cross-generational work force will need to be familiar as their employee pool matures and new faces join older ones.

In their exploration of this topic, the authors provide the following:

- ✓ **Specific, incisive profiles of four distinct generations.** We meet the Veterans, Boomers, Xers, and Nexters, and discover their motivations, desires, and life-shaping events in an attempt to find common ground between them.
- ✓ **Distinctions within the generations.** Why do “second-half” Boomers look at the workplace differently than “first half” Boomers? How are Nexters really a lot like Veterans? Why are such distinctions important?
- ✓ **Valuable tips for recruiting and retaining cross-generational employee pools.** Discover a host of insights into each group's work ethic and the forces that drive them to take positions and stay in them.
- ✓ **Successful strategies.** Discover what successful companies do to create and nurture work environments that are generationally comfortable and conducive to focusing their people's energies on the business of their businesses. Your guide to managing the clash of the generations is just a page away ...



CONTENTS

Introducing the Players

Page 2

The Veterans

Page 2, 3

The Baby Boomers

Page 3, 4, 5

Generation Xers

Page 5

Managing and Motivating Veterans and Xers: Dorothy's Pep Talk

Page 6

Generation Next

Page 6, 7

The ACORN Principles

Page 7, 8

The Future

Page 8

GENERATIONS AT WORK

by Ron Zemke, Claire Raines and Bob Filipczak

— THE COMPLETE SUMMARY

Introducing the Players

The four generations who occupy the American workplace in these early days of the 21st century span a remarkable slice of American and world history. Over a period of nearly 80 birth years — from 1922 to 2000 — the formative forces, values, and views; workplace aspirations and dreads; hopes and fears; and delights and disappointments of each of these four generations have colored (and continue to color) the workplace with a distinct hue that is all their own. These four groups are as follows:

- **Veterans (1922-1943).** The last of the gray flannel suits, this group (all but the youngest of whom were born before World War II) are the classic “keepers of the grail” of yesteryear and all the values that period espoused — civic pride, loyalty, and respect for authority among them. While most of this group have passed into retirement, their ranks in the CEO slots in most major companies dictate that they’ll be a force in business well into the 21st century.
- **Boomers (1943-1960).** This is the cohort group that invented the 60-hour work week, the group that is passionately concerned about participation and spirit in the workplace, the one whose ability to become engrossed in their occupations made the business of business the most dramatic story of the last quarter of the 20th century. Their attitudes toward the office, the family, and themselves, have unquestionably shaped the workplace as we know it, and will continue to do so for the foreseeable future.
- **The Xers (1961-1980).** Adept, clever, resourceful, discouraged, disheartened — is there a cohort group with a soul more dark or with such an edgy skepticism about them? Their need for feedback and flexibility, coupled with their distaste for micromanagement, makes them a perplexing lot for employers to deal with. They work to live, not (like their Boomer predecessors) live to work; their correlated striving for balance in life and work have made Xers the most conflicted and conundrum-prone generation currently in the marketplace.
- **The Nexters (1980-2000).** This confident, achievement-oriented group is barely in the work force yet, but is already making an impact with its optimism,

goal focus, and technical know-how. It will be interesting to see where this group takes the work force as the new century stretches out before it. ■

The Veterans

The mind-set of Veterans has so dominated our culture that every other set of beliefs is compared to theirs. When managers complain about young employees’ work ethic, they are, in fact, comparing that ethic to that of Veterans. Their influence runs even deeper, deep into the value system of our nation. The moral and ethical foundations of our country (or the perception thereof) are based on their perspective — a perspective so pervasive that a large percentage of all generations continues to embrace (or rebel against) it today.

Veterans tend to act and react in certain ways in the following workplace situations:

Leadership. In leadership roles, Veterans tend to be more directive, which was standard operating procedure in the workplace of the 1950s (see article next page). They can be expected to take charge, delegate, and make the bulk of decisions themselves; in fact, it is surprising how many Boomers and Gen Xers appreciate such a take-charge manner.

Teams. Although Veterans make fine team members, the changing structures of teams might give them pause. Veterans grew up working as a team (in World War II and its aftermath); they saw the power exerted by labor unions and the impact collective action can make in the workplace.

Veterans have worked in many teams, under strong leaders who told them exactly what to do, as well as

(continued on page 3)

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The Veterans

(continued from page 2)

how and when to do it. Today's teams, however, do not resemble the "command and control" teams of old. Teams can be community sized, with no defined leadership. They can even be virtual, with each team member working on their role without even seeing any other team members.

Management. While Veterans tend to be pleasant and at ease with customers, they can also be prone to buck the authority of younger managers or get mired in the "we've never done it that way" mentality. If you are a younger manager and have Veterans reporting to you, take the time to learn from their experience and discover what their preferences and personal needs are. However, be aware that respecting their experience does not mean being intimidated by it. Remember that you are the boss — the one who must take hard stances when those stances are needed. Don't let your respect for your Veteran workers get in the way of managing effectively.

Technology and training. Much of your training efforts with Veterans will likely focus on technology. Unlike Gen Xers or Nexters, Veterans didn't learn about computers in school, and often find technology intimidating and confusing. Do not rush the training. Keep your efforts as loose and stress-free as possible. One way of accomplishing this is by finding older instructors to conduct your training, or finding younger trainers who understand Veterans and speak their unique language.

It is also important to refrain from stereotyping all Veterans as technophobes — remember, their generation invented the electromechanical and telephonic concepts and structures that made your computers possible! Once

How do I Recruit a Veteran?

1. Keep in mind that if your customer base includes a good percentage of seniors, your work force should, too.
2. Don't limit your consideration of older employees to full-time employment only; many of them are not interested in leaving the work force entirely, preferring part-time positions in which they can play a useful part of an organization's efforts.
3. Let them know their age and experience will be considered assets, not liabilities. If you can use their help and experience on a project, tell them so.
4. Use clear enunciation and good grammar when communicating with Veteran recruits. Include "please" and "thank you" and avoid profanity at all costs.

The Workplace of the 1950s

To best understand Veterans in today's workplace, it is helpful to keep in mind the workplace they first entered and how that shaped their lasting impressions of their profession:

- **Division of labor.** Executives were the brains of the operation; workers were the brawn.
- **Rank and status.** Seniority and age correlated.
- **Structure and advancement.** Positions were hierarchical; people knew where they stood and were able to move up the ladder through perseverance and hard work.
- **Relationships.** Formal relationships were de rigueur; employees called those above them on the chart by their last name, with "Mr." or "Mrs." in front of it.
- **Authority.** There were clear distinctions between bosses and workers.
- **Conversation.** Personal topics were not up for discussion.
- **Boundaries.** "Work life" and "family life" were separate.
- **Speaking up.** There were certain unwritten rules that dictated what junior members could say about their own careers. Asserting an opinion on the topic was frowned upon.

trained, many Veterans will take to the new technology and continue learning. ■

The Baby Boomers

From 1946 (almost nine months exactly after VJ Day) through 1960, the Veterans gave birth to a truly revolutionary generation — 76 million children who would form the central bloc in perhaps the greatest period of social (and, eventually, professional) change in the history of the United States. This "Baby Boom" would also oversee a great period of growth and expansion and a push toward individualism over teamwork.

Indeed, Boomers are seen as the generation of achievers, concerned more with raising fortunes than consciousness, and with finding ways to increase their status, prestige, and power. They have an almost Pavlovian tendency toward being driven; this is, after all, the generation of the Yuppie, responsible for many of the stereotypes now commonly associated with the Baby Boom — ruthlessness, Rolex watches, designer glasses, and second homes in Aspen.

(continued on page 4)

How Boomers Differ from Their Parents

Veterans: Followed traditional roles (male/female, ethnic, etc.)

Boomers: *Redefined roles and promoted equality.*

Veterans: Were loyal (to their marriages and their companies).

Boomers: *Left unfulfilling relationships to find more fulfilling ones.*

Veterans: Were willing to be disciplined and patient, waiting for their rewards.

Boomers: *Sought immediate gratification.*

Veterans: Played by the rules.

Boomers: *Manipulated the rules to meet their own needs.*

The Baby Boomers

(continued from page 3)

“Second-halfers”

While every member of the Baby Boom generation can say there are aspects of their generation’s perceived personality that are not reflected in their own lives, there is no greater dichotomy within the generation than that between the Boomers born in the first half of the “boom” and those born in the second half.

“Second-halfers” find “first-halfers” to be more idealistic and more likely to put career first, family second. “Second-halfers” do not have quite the same attachment to the 1950s as do their “first-half” counterparts, and their participation in such “movements” as Vietnam, free love, and women’s lib was more relegated to observer’s status.

Late Boomers tend to be more laid back and cynical, particularly where professional matters are concerned. They got the first taste of downsizing the country had experienced since the Great Depression, making them considerably less gung-ho about management than the early Boomers. They recognize that good work habits and positive attitudes are not always rewarded, and often they are not enough to save a job, regardless of how well it has been done.

So how does one manage such a diverse generational group today?

1. Find out how they want to be managed. Boomers are the first generation to be asked how they wanted to be managed. Determining this is both strategically and tactically important to your business.

2. Expect a reaction if things don’t go well.

Boomers tend to make life hell if you’re mismanaging them. They do not suffer in silence, but may not choose to confront issues directly. Be prepared to deal with problems, particularly if the Boomers on your staff make “boss” a four-letter word.

3. Give them opportunities to succeed. Teach your Boomers the politics of information; give them the inside edge on your company’s know-how. Stress learning and improvement in the opportunities you give them, and be prepared to show them how that improvement has value not only to them, but to your organization as well. In other words, show them how they can make a difference.

4. Motivate them. Give your Boomers lots of public recognition (inside and outside your company) and perks (a company car, an expense account, etc.). Get them involved in decisions when this is possible; Boomers thrive on participative management and consensus. Give them a chance to prove their worth, and

(continued on page 5)

How do You Keep Boomers from Feeling Stagnant?

Many Boomers place job enrichment high on their list of priorities, yet many companies wonder how well they’re doing at enriching (as opposed to enlarging) their jobs. They want to know whether their workers of this generation are feeling stagnated and, if they are stagnating, what can be done to combat that.

Companies must recognize that work is a critical issue in the personal satisfaction quotient for most Boomers. Many of them have lost jobs to the downsizing trends of the last decade, losing not only their major means of financial support, but also their personal foundation. As befits a generation so dichotomous, many other Boomer workers have found their span of control increased.

When considering the stagnating of the Boomer generation, recognize that Boomers have the tendency to keep themselves challenged, sometimes to the point of over-commitment, and they should be recognized for that. Tell them regularly that you and your organization appreciate the work they do and the hours they put in to do that work. Reward their work with stress-reducing perks — comforts and conveniences that make, for example, traveling easier. Such rewards as business class upgrades, quality hotel accommodations, and the occasional afternoon off during a busy week serve two purposes: 1) they allow employees to decompress and refresh themselves during stressful periods; and 2) they let the employees know they have enriching, important jobs, and that their efforts on behalf of their employers are appreciated.

The Baby Boomers

(continued from page 4)

reward them when they do.

5. Mentor them. Keep the following in mind when acting as a mentor or coach for your Boomer employees:

- **Be tactful.**
- **Find opportunities for agreement and harmony.**
- **Ask questions to get to the bottom of issues.**
- **Let them tell you how they're doing.** When an opportunity for input presents itself, discreetly coach for improved performance.
- **Think of yourself as a friendly equal.** Ask permission at every turn when discussing performance and improvements.
- **Show respect, but do not burden your dialogue by referring to them as “sir,” “ma’am,” “Mr.” or “Ms.”** ■

Generation Xers

Generation “X” might well have been called Generation “I” for “invisible” or Generation “L” for “lost.” Living in the long shadow of the Boomers, this is the generation that has only really registered recently. Like the middle child in a family, the group has passively resisted anything its older sibling embraced. It is often defined by what it is not.

GenX’s collective psyche has been shaped by a survivor mentality and can be summed up by the question “Just tell me, is this going to be on the test?” Critics see that sentiment as a sign that the generation does not care for the big picture; indeed, they may care for nothing but themselves. This is an inaccurate critique. The question really asks “What does this have to do with my survival?” GenX has developed an almost myopic concern with survival, both economic and psychological, stemming from their early sense that no one was going to hold their hands in life — they’d have to take care of themselves.

Work Ethic and Motivation

This sentiment translates differently to authority figures (teachers, parents, bosses), who note and perpetuate the label “slacker” for much of the “X” generation, denoting a questionable work ethic. While Veterans viewed work as a means of survival and Boomers turned to work as a means of self-fulfillment, Xers have learned that work is no guarantee of survival. Corporations can terminate you without warning, apology, or logic, and their entry-level positions are often mindless, dull, and exhausting. The prevailing attitude that all work is “just a job” is unlikely to change.

But Xers can be motivated to do good work, if presented with the right package, including the following:

Flexibility. The more flexible your work environment, the better the work you will receive from your Xers. Flexible hours, an informal dress code, and just the right amount of supervision are great places to start.

Technology. The generation reared on television, video games, and computers knows that having the best technology available to you at your desk is as good as having a corner office with a window and a door. Xers must know that their companies are willing to invest in their work; if you only provide them with an old, out-dated computer that someone else discarded, your ability to retain these tech-savvy workers will be compromised.

Multitasking. Give Xers lots of simultaneous tasks and projects, let them prioritize them in their own way, then stand back and let them do their work. Xers like to feel that they have control over their own work, even if that control is illusory.

Feedback. Xers need constructive feedback to do their jobs more effectively, just like any other employee. Some have even suggested that Xers need it more, noting that the generation grew up with at least one absentee (Boomer) parent. That lack of attention in their formative years has them craving positive, sincerely offered feedback in their professional lives.

Evenly disseminated recognition. Xers may not be all that anxious to receive perks, but they resent it when others get visible, expensive recognition; it smacks of the worst kind of corporate, “good old boy” office politics, and it’s likely to send your Xer staff running for the exits. ■

How Xers Differ from the Previous Generation

Boomers: Fought against authority.

Xers: Go around authority or turn it in their direction.

Boomers: Media darlings.

Xers: Avoid the media and the limelight and, above all, don’t let the media label them.

Boomers: Workaholics.

Xers: Prefer to “have a life.”

Boomers: Political.

Xers: Politics never solved anything.

Boomers: Political at work.

Xers: Corporate politics wastes time we could spend doing something we enjoy.

Motivating Xers: Dorothy's Pep Talk

Dorothy is a Veteran who uses pep talks to fire up her mostly GenXer staff. She's conducted these talks for 30 years, recalling the inspiring pep talks her favorite manager used to give her and her fellow employees when she was younger. Those talks breathed fire into workers, as her manager ranted, raved, challenged, and motivated his employees into doubling their productivity. Unfortunately, Dorothy's speeches are not clicking with her twentysomething staff; in fact, she fears she's flunking the "snicker test" and actually demotivating her troops. What can she do?

- **Know how they see you.** Pep talks are outmoded; Veterans' values were kindled by fiery speeches that

Keeping the Fires Burning

If you're managing a team of bright, enthusiastic Xers, how do you provide direction without putting out their fire? The answer: a strategy that includes five key elements:

- **Working with your Xers to create a picture of what you want to accomplish together.**
- **Breaking that vision down into tangible, results-producing steps.**
- **Building in milestones and celebrating when you reach them.**
- **Giving individuals and the team lots of positive feedback about their creativity.**
- **Making certain that you are genuinely validating their ideas and accomplishments, while continuing to assist them in laying down achievable tracks that get results.**

Take Mindy McCune, for example. As operations manager for Motorola's Phoenix, Ariz., design center, she has 105 Xers reporting to her. Once she has given people the high-level outcomes of what she wants accomplished for a certain project, she lets them come up with specifics for their game plan to complete the task. Together, they schedule check-points, reporting methods, and project reviews, allowing her to steer projects back on track if they derail. If a report does not meet her expectations, she asks what she can do to help, avoiding the typical "this is what you do" response. Her approach of letting people direct their own efforts, combined with positive feedback, gives her employees the confidence and fire they need to succeed.

tapped into "can do" attitudes and resulting behaviors. You must recognize that younger associates, however, react cynically to such inspirational efforts. Even the most well-intentioned pep talks are usually seen as insincere.

- **Find different inspiration.** Younger generations are increasingly task-centered, requiring a different approach to inspiration. Rally your troops around their work, inspiring them around the task and importance of finishing a project, delivering a service, or shipping a product.
- **Be honest.** If the task is an unpleasant one, be honest about it. Back up that honesty with motivation, scheduling some fun activity as a reward after the job is done.
- **Switch it up.** Consider assigning different staff members to lead meetings, and allow the team to decide as a group upon their goals and how to measure them. ■

Generation Next

The most carefully studied generational group has yet to make an impact on the workplace, but the anticipation of their full-on arrival in professional circles leads many to believe that impact will be significant. These "Nexters" were/are born after 1980 to both late Boomers and early Xers.

Whereas their parents' parents placed work before family, Nexters' parents have paid pinpoint attention to almost every facet of child rearing in the all-out pursuit of bringing up well-educated, well-adjusted children.

Savvy in the particulars of digital technology as no generation before them, the Nexters are expected to have an impact on the dynamics of the family as well. Today, as never before, kids actually know more about technology than their parents. Boomers and Xers who (by choice or lack of ability) cannot keep up with technology will find themselves standing on the edge of a generation gap wider than any they could imagine.

Yet, in many ways, Nexters are more like their pre-World War II Veteran forebears than either group would like to admit. Early Nexters seem eager to subscribe to a stricter moral code. Reacting to excesses they perceive in their parenting generation (such as the Clinton/Lewinsky scandal), they will, experts agree, have a much stricter moral center. Manners also seem to have been recently reborn in many of the Nexters' families. Parents have been vigilant in insisting their progeny say "please," "thank you," "sir" and "ma'am."

Since the initial vanguard of Nexters is only now

(continued on page 7)

Generation Next

(continued from page 6)

reaching the workplace, many of their traits as employees are, at present, speculative. We'll be spending the next couple of decades learning how to recruit, motivate, and retain this newest generation. You will, however, need to keep the following principles in mind:

- **Budget plenty of time for orientation.** Create a clear picture of your work environment — what's good about it, what's not, your expectations and long-term goals. At the same time, learn about each new employee's personal goals and develop strategies for interweaving those goals with job performance.
- **Forget gender roles.** If you still have preconceptions about gender roles, discard them. Nexters will redefine them as men take on more household tasks and women take on more traditional male tasks such as home repair.
- **Focus on teams.** Consider expanding the size of your teams and appointing a strong team leader in areas in which you have many Nexters.
- **Mind the gap.** Be sensitive to the potential for conflict between Xers and Nexters when they work side by side. The gap between these two generations may end up making the one between the Boomers and Xers look tame.
- **Grow your training department.** Nexters will want to continue their education and develop their work skills.
- **Establish mentor programs.** Consider matching your young workers with your most seasoned people with whom they say they resonate. ■

The ACORN Principles

Companies that successfully nurture cross-generational workplaces exhibit five common approaches to making their environments generationally comfortable and focusing their people's energies on the business of their businesses. These five approaches successfully accommodate differences, exhibit flexibility, emphasize respectful relations, and focus on retaining talented and gifted employees. These potent precepts form the acronym ACORN:

Accommodate employee differences.

In order to retain employees, the most generationally friendly companies treat their employees as they would customers — they find out everything they can about them, work to meet their specific needs, and serve them

Two Keys to Successful Intergenerational Work

There are two keys to creating a successful intergenerational workplace. The first is aggressive communication. Companies shouldn't ignore generational differences. Instead, they should take the time to communicate with the different groups, uncover their needs and preferences.

The second key is difference deployment, which means placing workers in positions and jobs that best fit with the generational characteristics.

according to their unique preferences. There are tangible ways of doing this by making the effort to accommodate scheduling needs, work-life balance issues, and nontraditional lifestyles. Each generation's icons, language, and precepts are acknowledged, and language is used that reflects generations other than those in power.

For example, the St. Paul, Minnesota-based West Group (a leading supplier of legal information) is in the midst of changing its Boomer culture to meet the needs of Xers and Nexters. One of its efforts is called Café.com — a Caribou Coffee shop located inside West Group's main headquarters. In the café, employees can man one of the eight Internet workstations or bring their own laptop and hook into one of the dozens of modem connections located throughout the lounge. There are comfortable chairs and sofas and collaborative workspaces, allowing employees greater flexibility in choosing where to do their work. They are not chained to their cubicle workstations.

Create workplace choices.

Generationally friendly companies allow the workplace to shape itself around the work they do, the customers they serve, and the people they employ. Dress policies tend to be casual, bureaucracy is decreased, and the atmosphere is relaxed and informal.

Ben and Jerry's (the Vermont-based ice cream manufacturer) is a fine example of this approach. One of the company's teams — called "The Joy Gang" — is tasked with making work fun by scheduling events that encourage relaxed participation and creativity. There's Elvis Day, in which employees dress up like the King, and (more tellingly) Corporate Dress-Up Day, the one day a year in which employees are encouraged to wear corporate attire, just for the novelty of it.

Indeed, the company attracts iconoclasts from three generations: Xers are drawn by its lack of corporate pretensions; Boomers appreciate the relaxed atmosphere

(continued on page 8)

The ACORN Principles

(continued from page 7)

and the organization's ties to the Boomer culture of the late 1960s; Veterans who bucked authority see their corporate ideal come to life. Ben and Jerry's employees' organizational disdain for formal corporate culture transcends the generational tensions that arise in other, more staid companies.

Operate from a sophisticated management style.

Generationally friendly managers have little time for circumlocution. They give those who report to them the big picture, specific goals and measures, then they turn their people loose, giving feedback, rewards, and recognition as warranted. There are seven distinctions that characterize their flexibility:

1. **Their supervisory role is not fixed; control and autonomy are a continuum, not solitary options.**
2. **Their leadership style (consensus-based or autonomous) is situationally varied.**
3. **They depend less on positional rather than personal power.**
4. **They know when and how to make exceptions to policies.**
5. **They can thoughtfully match individuals to a team or assignment.**
6. **They balance concern for tasks and concern for people.**
7. **They understand the elements of trust and work to gain it from employees.**

Respect competence and initiative.

Generationally friendly companies assume the best of their people, treating everyone (from the greenest recruit to the most seasoned veteran) as if they have a lot to offer and are motivated to do their best. In the most successful companies, this approach becomes a self-fulfilling prophecy.

Lucent Technologies created IdeaVerse, a training center that allows employees to have the space and time to play with ideas and creativity without having to worry about the understood boundaries or censure of the workplace. In the center, the walls are purple, vice presidents color with crayons, employees attend seminars with titles like "Wholeness in the Workplace" and "Life, Paint, and Passion," and just about anything goes. Company officials readily admit that some Boomers and Veterans may scoff at the idea of sitting side-by-side with colleagues and superiors, painting scenes on a large canvas. That, offi-

cials argue, is the kind of self-censorship they want to break free of at Lucent. When the cross-generational work force gives in and buys into the ideas behind IdeaVerse, true creative energy can be allowed to flow, with resulting improvements in their product development and service innovations.

Nourish retention.

When you think of how difficult it is to find good, conscientious employees in today's job market, you realize why many companies treat work force retention with the same focus as they do finding and retaining customers. Generationally friendly companies concern themselves constantly with retention, and with making their work environments magnets for excellence. They encourage lateral movement throughout the organization and have broadened assignments.

One excellent example is the national restaurant chain TGI Friday's, which encourages employees to enroll in its Passport Program. Under the program, an employee's "home" restaurant gives the employee a "passport" allowing him or her to travel around the country for six months, working at other Friday's restaurants along the way. At the end of the employee's stay at a different restaurant (whether it's a month, a week, or just a shift), the general manager of the restaurant stamps the employee's "passport," freeing the employee to travel off to the next destination. In order to be eligible for the program, employees must have at least six months' tenure, must be well trained, and must have no record of unsatisfactory performance. Through the Passport Program, TGI Friday's allows its best employees to indulge in their wanderlust without losing them in the process. ■

The Future

The authors postulate the following about the future of cross-generational relations in the work force:

- As Veteran executives retire, Boomers will replace them and create for themselves a sort of guru status among decision makers, allowing them to sit quietly atop the corporate mountain and be consulted from time to time for business wisdom.
- The outlook for Xers who want to slide into management positions is hazy right now. Small start-up companies may be the primary sanctuary for Xers who want managerial roles and responsibilities. Then again, the cohort group's propensity for multitasking may be perfect for the Fortune 200 companies of the future. As leaders, they will likely be much more concerned about getting work done than just about anything else. ■

· Book 12 of 46 ·

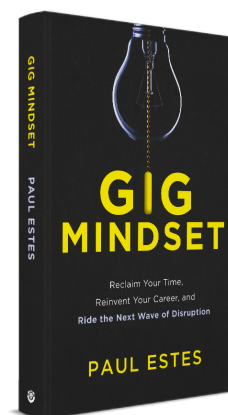
Gig Mindset

Paul Estes

Gig Mindset

Reclaim Your Time, Reinvent Your Career,
and Ride the Next Wave of Disruption

by **Paul Estes**



Contents

Resetting to the
Gig Mindset

Page 2

The T.I.D.E. Model

Page 2

Taskify

Page 2

Identify

Page 3

Delegate

Page 3

Evolve

Page 4

THE SUMMARY IN BRIEF

We're all standing in quicksand and we feel stuck. We don't feel secure at work. Technology advances too fast for us to keep up with the constant disruption. We worry about staying relevant, staying necessary, and making the space to actually have a life, too. We think there must be a better way forward. Nowadays, we're not just buying strangers' clothes; we're riding in strangers' cars, sleeping in strangers' houses, and hiring strangers for every job imaginable. The changing landscape of the workplace affects us all. This Gig Economy brought a structural change. In ***Gig Mindset***, author Paul Estes shows how to adapt to those changes.

A new mindset allows you to grow and evolve with the world instead of being left behind. Right now, you have a choice to make. Are you going to wait for the world to make you irrelevant, or are you going to evolve and survive? The framework presented in ***Gig Mindset*** will allow you to get started, continue forward, and build a process of reinvention. You will find the space to properly balance your work and home life.

IN THIS SUMMARY, YOU WILL LEARN:

- How engaging freelancers to augment your time expands your capabilities.
- The simple four-step method to success in this new mindset.
- What to focus on when you identify tasks for freelancers.
- Why you should give up some control through delegation.
- What questions to ponder after projects are complete in order to evolve.

Resetting to the Gig Mindset

We're living in a freelance revolution. The internet is a marketplace where old problems are workshopped, solutions are proposed, and businesses rise to fill the void. If there is something you need done, there is someone out there ready to help. The benefit of using a freelancer is obvious. Having a temporary expert in a specific field provides flexibility, while bringing in knowledge and skills you might not have internally. Instead of running through every task yourself, you have space to focus on what's important to you. Imagine what you could do with an extra half-hour of space every day. Think about those hours adding up. Whole days of freedom for you to tackle the projects that piled up for so long.

This is the essence of the Gig Mindset. Take any task, break it down into steps, and find the experts you need to handle each part. It's not just about providing service to customers. It's a restructuring of how we connect to get things done. This will impact our personal lives as well as change the way we work. The sooner you recognize that, the sooner you can change your mindset for the future.

We're all stuck in a Busy Trap. We have no extra time for our families or ourselves, no time to reskill or grow. The problem with the Busy Trap is that it becomes impossible to find the time to perform a simple task that may only take a half-hour or so, such as booking a trip to visit family. You think of your to-do list as something you can manage, that no one else would ever be able to help with. Once you open your eyes to this new mindset, the truth is easy to see. There are people out there, at your fingertips, ready to assist. Any task, any project, any need can be solved by engaging with talented freelancers.

The T.I.D.E. Model

Everyone has a list of tasks they want to do, if only we had the time and space to do them. Turning a task from something you will get to "one day" into a project you will start "today" takes a flip of a switch. You can have the mentality that tasks will get done, and they don't necessarily have to be done by you. Engaging freelancers on simple tasks opens up space in your life to focus on your list. Making time to actually take action on those tasks takes a little more, though. You need a process. The simple four-step method to success in this new mindset is The T.I.D.E Model. Taskify, Identify, Delegate, and Evolve.

Taskify

Taskification can be big or small. In theory, it's all very simple. You have an idea, a goal, a mission. You break it down into digestible steps and specified tasks and get to work. Pick something you want to learn, or something you need to learn, and task out a freelancer to find you the answers. Taskification is also about recognizing your abilities and your limitations. If your work needs great design but you are not a designer, engage expert and talented freelancers that are designers. Taskification can be easy if you're goal oriented and break down the steps.

As an example, let's break down a simple task: a thought leadership article. Let's say you are at a conference listening to a speaker when a topic piques your interest. Go to the presenter and ask if they have twenty minutes to sit and talk. Record the conversation on your phone. Send the recording to a site for transcription and set a task for additional research with a virtual assistant to build out some more detail based on the conversation. Form the goal and flow of the article to set expectations. Once all the information is together, send it to a writer who knows your tone and voice. Have another freelancer pull images together than can complement the story. Post the finished product to LinkedIn to connect with a network of professionals. Less than an hour of work and you have a completed article, fully researched, on LinkedIn. That's how easy taskification can be.

GO-DOS: Taskify

This is the first step to understand the power of the T.I.D.E. Model and will ensure you are set up for success moving forward. Now that you are thinking about working with freelance experts around the world, let's get started with a project that you want to tackle.

1. Define a successful outcome. Imagine the finished project, understand your goals, and write them down in a simple paragraph.
2. Determine who the stakeholders are and/or who the primary audience is for this work.
3. Figure out what the individual deliverables are for the project. These are components that have specific time-lines and scope and can be assigned to a freelancer.
4. Write down what needs to be done/delivered including scope and description.
5. Assign priorities of high, medium, and low to each component.

6. Set a realistic timeline and write a simple draft for the project. This document will be shared with freelancers to get feedback and set expectations.
7. Ask for your freelancers' thoughts and best practices as you go along.

Let go of the idea that all aspects of each project have to be done by you.

Identify

Once you begin engaging in the Gig Mindset, you will see the various tasks that need to spread out. If you need to create a winning presentation, you will find freelancers with exactly the skills needed to build it. There are researchers who specialize in the topic, designers with portfolios of brilliant presentations, and speechwriters able to take your notes and turn them into a cohesive argument. That's the key to identification. You are more than capable of designing your own presentation, but is that the best use of your time? It is easy to get obsessed with the tasks and forget the outcome. To live the Gig Mindset, you need to be outcome oriented.

When you first taskify, and your goal is broken down into smaller chunks, it can be overwhelming. So the next step is to identify the work that can be done by you, your team, or your network of freelancers. If it's difficult, don't feel bad. This is where a lot of people struggle. It is about the willingness to give up control, to exercise a little trust.

There are endless reasons not to do something, or to hold on to the old ways, but you have to recognize your greatest limitation: time. The idea that you can personally take on every project for your business is just not possible. What could your time be better spent doing? If you have great ideas and visions for the future, don't bog yourself down with small tasks. Identify what can be spread out. Identify what to do, delay, drop, or delegate.

GO-DOS: Identify

Let go of the idea that all aspects of each project have to be done by you. Here are a few questions to ask yourself as you learn to collaborate with experts from around the world.

1. What are your strengths? It's important to really identify work where you can really have an impact.
2. What do you have fun doing? You should enjoy your work. Think about when you feel focused and are enjoying various parts of projects.
3. On the other hand, what drains your energy and motivation?
4. What do you avoid doing or keep putting off?
5. Who can you bring in to complement your capabilities? If you had the power to assemble a dream team to help you get this project across the line, what skills would fill the gaps?
6. What is your work style when you work remotely? Would you rather have someone do work while you sleep or be in the same time zone so you can collaborate in real time?
7. What information can you provide a freelancer that would ensure successful completion of the task? This will be critical when delegating work.

Delegate

The most important rule to learn about delegation is that you need to be willing to give up control. You need to trust others to collaborate on your vision and move toward a united goal. In order to truly engage with what is possible in this new economy, you have to let others run with your ideas. This is a skill you'll need to practice. Every time you sit down and start a new task, you'll get better. Delegation means stepping back from the driver's seat and trusting your freelancer to follow directions and ask questions if they get stuck. Delegation is to assign responsibility or authority.

Responsibility is easy. When you hire someone full time, you are giving them responsibility. It's part of their job description. When you delegate to someone, you are assigning them authority. They can make decisions based on your instructions and your intent. You are trusting them to make the right choices in pursuit of a shared goal. For so many people, this is the hardest part when starting to work this way. They

struggle with how to communicate their expectations, to articulate those tasks that are so innate to themselves.

Delegation requires building expectations, setting time-lines, and really engaging with these experts with an open and curious mind throughout the process. Giving up control is hard, but it gets easier as you build your trusted network of freelancers.

GO-DOS: Delegate

This is where the rubber meets the road and is often the hardest part of implementing the T.I.D.E. Model. Below are some questions that you will want to ask yourself as you get ready to engage with a freelancer.

1. What are your project deliverables? Are they thought out and written down?
2. What are your schedules and deadlines?
3. What does your project look like when it is done well?
4. Describe how this project fits into your overall goals or strategy. Get everyone on the same page and provide context.
5. Provide (and ask for) constructive feedback throughout the process.

Evolve

The increasing pace of technology means adapting and adopting are the only options. It is critical to reskill. The Gig Mindset isn't about getting busier. It's about decreasing your workload while simultaneously increasing your output exponentially. You can reclaim more control by giving up some of

that busy work. Reclaim your time by evolving. Evolution is about changing what you are, slowly and methodically.

GO-DOS: Evolve

This can be the most exciting part of your journey into the Gig Mindset. It can radically transform the way you live and work. With each project, you learn new things about yourself, get pushed outside of your comfort zone, and become open to change. Here are a few thoughts to reflect on after you have completed a few projects.

1. What are three to five items that were really challenging as you worked through the T.I.D.E. Model? What could you do better in the future?
2. What are other areas in your life or work where you could engage with freelancers to help you scale your efforts at home, work, or on passion projects?
3. What are some new habits that could help you as you think about evolving?
4. Reach out to friends, coworkers, and others to share your experience. Building a support network and sharing best practices is a critical step in evolving your mindset.

The Gig Mindset is not based on just a belief that it works. It is based on the experience of the lives that have been transformed by living it. Hundreds of companies and millions of freelancers work this way every day. This model can be successful across a number of disciplines. All it needs is you and your effort. Change starts with action. Reclaim your time. Reinvent your career. Embrace the Gig Mindset and change your life.



Paul Estes is an unstoppable advocate for the gig economy who is dedicated to creating opportunity for everyone, reskilling by doing, and bringing diversity to our work. After twenty years of driving innovation in Big Tech, Paul transitioned into working as an independent, remote freelancer. He shares his insights from main stages as a keynote speaker and offers his thoughts and advice through articles on LinkedIn. By engaging with freelancers, Paul gets exponentially more done at work and has more time for his wife and two daughters.

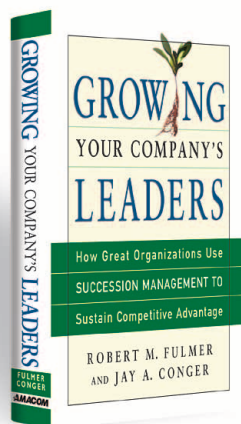
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· Book 13 of 46 ·

Growing Your Company's Leaders

Robert M. Fulmer and Jay A. Conger

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FILE: HUMAN RESOURCES/
PERSONNEL

How Great Organizations Use Succession Management to Sustain Competitive Advantage

GROWING YOUR COMPANY'S LEADERS

By Robert M. Fulmer and
Jay A. Conger

CONTENTS

A New Imperative

Pages 2, 3

Who 'Owns' Succession Management?

Pages 3, 4

Defining and Identifying Talent

Pages 4, 5

Linking Succession To Development

Pages 5, 6, 7

Measuring and Assuring Long-Term Success

Pages 7, 8

Promising Trends in Succession Management

Page 8

THE SUMMARY IN BRIEF

For decades, succession management identified replacements for senior executives who, it was assumed, would eventually depart the organization through death or retirement. In many companies, the planning for succession was simply one of several "annual events," without much thought given that the process could be deployed for development and/or retention of talented employees. These days, good workers are often lured away to competing organizations, and companies without strong succession processes are left hanging. Many top managers move on and must be replaced. In Growing Your Company's Leaders, authors Robert Fulmer and Jay Conger explore how the competition for talent is changing, and how several best practice companies have used succession management as a source for strategic advantage.

What You'll Learn In This Summary

- ✓ **Why there's renewed interest in succession.** Contemporary succession systems no longer think solely about the replacement of talent; they are also focused on developing the best employees possible. Potential outweighs current performance, and everyone gets involved in the assessment of talent.
- ✓ **Who "owns" succession management?** Best practice companies have three main groups that make succession management possible and successful — owners/champions, process owners, and implementers.
- ✓ **Defining and identifying talent.** What kind of talent does your company need? What does it look like? How can it be best developed and deployed?
- ✓ **Linking succession to development.** Why "rank and yank" employees when your company's future might hinge on a late-blooming superstar?
- ✓ **Measuring and ensuring long-term success.** Successful succession management systems measure their own record of identifying developmental opportunities and filling them with the right people at the right time.

GROWING YOUR COMPANY'S LEADERS

by Robert M. Fulmer and Jay A. Conger

— THE COMPLETE SUMMARY

A New Imperative

Succession management has been traditionally considered a necessary human resources system in most companies, with the purpose of identifying replacements for senior executives who would eventually depart the organization. Few, if any, regarded the practice as being use-

What Are Best Practices In Succession Management?

"Succession-savvy" corporations each possess several traits that characterize their winning approaches to succession management:

- ✓ Their succession systems are easy to use. Winning systems are nonbureaucratic, uncomplicated processes — with a unified approach to ensure consistency and maintain objectivity across business units, organizational levels, and geographic areas.

- ✓ The best systems are developmentally oriented, rather than simply replacement oriented. The system becomes a proactive vehicle for managers and executives to reflect on the progress of their talent and the opportunities they require for genuine development.

- ✓ Highly effective systems always actively involve the very top players of the organization. Senior executives view effective succession management as a critical strategic tool for attracting and retaining talented leaders.

Spot Gaps in Talent

- ✓ Best practice succession systems are effective at spotting gaps in talent and identifying important "linchpin" positions — the select set of jobs that are critical to the overall success of the organization.

- ✓ Succession planning does the job of monitoring the succession process, enabling the company to make certain that the right people are moving into the right jobs at the right time and that gaps are being spotted early.

- ✓ The most successful systems are built around continual reinvention. Best practice companies continually refine and adjust their systems as they receive feedback, monitor developments in technology, and learn from other leading organizations.

ful for developing or retaining talented individuals in the lower rungs of the organizational hierarchy. It was assumed that top managers were in place for the duration, until an unfortunate circumstance (a health problem, an accident, etc.) removed them from their places.

Most companies possessed an essential but largely unheralded succession management list, identifying an adequate and appropriate pool of replacements, warmed up and ready, should any of the top players in the company leave the field. Such a model of succession management had several fundamental shortcomings. For one, it was focused only on the very top positions of the company and, as a result, the names were chosen at the general manager level.

Secondly, it gave top management few options in the search for the next generation of company leaders. Rather than focus on leadership development, the list merely acted as the ladder on which lower-rung executives could climb if they stayed with the organization long enough. As a participant, you were moved methodically after a certain number of years from one step to the next step. So, while you might prove to be a fast learner and a high performer, you still had to stay within the lock step of the career path.

Succession in the Modern World

Today, we are witnessing the impact of an emerging new breed of succession systems. Contemporary systems no longer think solely about the replacement of talent. They are also focused on development. These new systems take a more systemic approach toward the organiza-

(continued on page 3)

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A New Imperative

(continued from page 2)

tion's talent and strategy, placing more emphasis on the candidate's potential than on recent performance alone.

Where old systems were characterized by complete confidentiality and secrecy, today's systems actually encourage involvement by individuals who are participants and candidates. Under older systems, few participants knew where they actually stood in terms of their potential for career opportunities ahead.

Why There's Renewed Interest in Succession

The forces that have renewed interest in succession systems and changed them in dramatic ways are trends that have affected business in the new global economy:

1. Leadership is, and has always been, a relatively scarce commodity within companies. To lose a strong, effective leader is a serious blow to any organization.
2. The leading players in the work forces of today's companies tend to be the knowledge workers — highly intelligent workers who are also highly mobile.
3. Employee "contracts" centered on performance entered the employment picture in the '80s and accelerated in the '90s, destroying the old "lifetime employment for loyalty" contract that had been in place, though often unspoken, since World War II. Companies reward high performers with opportunities for development, not necessarily extended, long-term employment.
4. The Internet has enhanced the mobility of leadership talent, making it easy for employees to find opportunities elsewhere, and for those opportunities to come knocking on their door.
5. Executive recruiters and headhunters today possess greater clout and sophistication. No longer is it "ungentlemanly" to recruit your competitor's best and brightest workers.
6. Nonstop, unpredictable organizational change has caused organizations to quickly identify growing gaps in talent, and emerging needs for new types of talent. ■

Who 'Owns' Succession Management?

Historically, the human resources function has been the champion of succession planning, but for it to have sole responsibility is a mistake. The effectiveness of any succession system depends on a much broader set of owners and sponsors.

The Owner and Champion

For any organization that wishes to engage in truly effective succession planning, senior-level commitment is absolutely essential — mere verbal support from the

top is not enough. The CEO and his or her executive team must be enthusiastic champions, holding their direct reports accountable for ensuring the reliability of the system in finding, developing and retaining top talent. These champions must truly believe that talent is a corporate-wide resource, not the property of a particular function or division. Without this level of critical support from the very top, succession management can end up a more mechanical process with "hit or miss" results.

Executive-level buy-in is critical for the financial support of a succession effort, as well as to affirm genuine commitment to the process for all employees. Top-level support ensures a much tighter link to the organization's overall business strategy and to corporate values.

The Process Owners

It is not, however, realistic or desirable for CEOs to be solely responsible for the development of talent and leadership. Senior human resources leaders also play a role, perhaps the most extensive ownership role in the succession process. Indeed, HR makes the process behind succession management work, integrating its overall leadership development process into the structure of the succession management process in delivering successful outcomes.

Alignment of succession planning and leadership development is achieved far more easily when the two report to a common organizational entity, such as a corporate HR function. With the focus of a new generation of succession systems on development, this integration is a particularly critical task.

The Implementers

As the emphasis has shifted from a "replacement" process to a developmental one, more and more succession processes reach deeper into organizations than ever before. Even though top-level buy-in is critical to the success of a succession management system, it is often left to the management level(s) below the executive level to effectively implement succession processes.

Sonoco Products Company, for example, addresses succession planning at the plant manager, area manager, and general manager levels. Each level is addressed in a separate meeting. Each meeting, in turn, is guided by five key principles:

- **Build from the bottom up.** When you start succession planning at the bottom of an organization and work upward, the data builds on itself, which is helpful when examining key issues across the organization.
- **Involve those who are closest.** Those who observe the individual being evaluated on a daily basis are invited to the meeting.
- **Use performance data.** Decisions should be made using the performance management documents of those

(continued on page 4)

Who 'Owns' Succession Management?

(continued from page 3)

being evaluated. Other data should be taken into account as well, including education, work history, and interactions with management.

- **Use consensus decision making.** Decision making should involve a well-deliberated consensus.

- **Time investment is a requirement.** Human resources specialists and executives must be willing to commit significant time to the succession effort. The system should be designed for efficiency and to provide reasonable returns on the time investment. ■

For Additional Information on an example of a succession champion, go to: <http://my.summary.com>

Defining and Identifying Talent

At the foundation of succession management is the definition and identification of talent — what it looks like, who has it, who needs to develop it, and how it can be best developed. The challenge in these endeavors is defining what the term “talent” means in light of a company’s needs, as well as how to assess that talent. Historically, performance outcomes were the simplest way to determine who had talent and who did not — those with the best current performance were deemed to be talented.

Time and experience, however, have taught organizations that the positions employees might attain in the future can require talents those employees simply do not possess. As a result, companies also look to assess a person’s potential for advancement and development. One area of particular interest to most organizations is leadership; as a result, more and more companies factor leadership competencies into their assessments.

Alignment between competency models, corporate performance objectives, and employees is a key characteristic of effectiveness in a succession management process.

Competency Models

We associate the term “competencies” with the behaviors and skills necessary for success in a particular role. These competencies might include corporate values or learning capability, as well as such “derailment behaviors” as arrogance or lack of integrity. Such tools as 360-degree feedback cemented the position of competency models as essential to the development and assessment field.

Companies employing competency models as the foundation of their succession management process have found they provide a variety of benefits, including:

How Companies Handle Competency

Different companies look for distinct competencies from their employees, and assess them accordingly. Here are the core competencies of several best practice organizations:

Dow Chemical (Global Competencies)

- ✓ Initiative
- ✓ Innovation
- ✓ Interpersonal effectiveness
- ✓ Leadership
- ✓ Learning
- ✓ Market focus
- ✓ Teamwork
- ✓ Value creation

Dow also uses a second set of competencies, specific to various functions in the organization.

Eli Lilly and Company (Leadership Behaviors)

- ✓ Model the values
- ✓ Create external focus
- ✓ Anticipate change and prepare for the future
- ✓ Implement with quality, speed and value
- ✓ Achieve results with people
- ✓ Evaluate and act
- ✓ Share key learning

PanCanadian (Leadership Competencies)

- ✓ Visionary
- ✓ Effective communication
- ✓ Decisiveness and follow-through
- ✓ Business acumen
- ✓ People/team management
- ✓ Innovation
- ✓ Change management

- Convey clear expectations for roles and levels of performance.
- Provide more valid and uniform corporate planning data.
- Link development activities to organizational goals.
- Motivate employees to improve by providing specific guidelines for professional development.
- Protect the morale of supervisors and subordinates alike by quantifying performance management.
- Streamline HR activities.
- Provide a common framework and language for discussing how to implement and communicate key talent and leadership development strategies.
- Set expectations for current senior leaders and/or serve as development targets for those in the organization who aspire to become senior leaders in the future.

(continued on page 5)

Defining and Identifying Talent

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Best practice organizations use a variety of tools and techniques for identifying future talent and leadership potential. In most cases, the identification process is facilitated by dedicated members of the human resources organization working in partnership with executives doing the actual assessments. Tools they use include performance management results and multi-rater feedback, such as 360-degree feedback, which ensures that the multiple views of bosses, subordinates and peers are included in assessments and compared across a set of identical competency dimensions. Inclusion of peers in the process provides companies with a more complete view of an employee's leadership potential.

Focusing Efforts on 'Mission-Critical' Positions

One of the vital roles of succession management is to help the organization understand what its critical management positions are. Companies today are more conscious of the fact that roles up and down the hierarchy (not just upper-level ones) can be considered "mission-critical," or absolutely essential to the organization's success, typically difficult to fill, and rarely stand-alone. There are several ways to determine the mission-criticality of a position:

- Determine the consequences should the position be vacated. If critical decisions will go unmade, customer needs will go unmet, or operations will function poorly, then it is likely a mission-critical role.
- Determine the uniqueness of a function to the organization's mission and the effectiveness of the operation if the person were to leave. These criteria determine the magnitude and importance of both the role and the person currently filling the role.
- Canvas executive teams to determine the positions under their responsibility that, if suddenly rendered vacant, would negatively affect the organization's ability to achieve results.
- Look at the company's history and identify times when the departure of an individual in a particular role resulted in serious organizational problems
- Engage in "network charting" — tracing recent major decisions back to the major contributors to those decisions. This yields insights about linchpin roles and the individuals in them.

Grouping high-potential employees into talent pools has proven to be an effective method for ensuring that the right person is available when a position opens up. The logic behind this is simply a recognition that more detailed attention can be focused on a subset of managers, rather than attempting to include everyone of a basic standard. Moreover, there is evidence that greater

returns are achieved by providing special opportunities for individuals who have the capability for greatest growth from the special developmental opportunities provided for them. ■

Linking Succession To Development

The emphasis many companies place on recruiting top talent away from competitors is still a source of competitive advantage, but we can learn a lesson from the excesses of some firms, most notably in the way some newly hired employees were immediately placed on the fast track. As with anything else, even the best intentions of recruiting can be pushed too far.

There is a right way and a wrong way to approach succession management. Some organizations divide employees into performance groups. Top performers are put on the fast track, the middle group is encouraged toward future growth, and the bottom level of performers is pressured to "shape up or ship out." This process is called "differentiation and affirmation," but has a more colorful, decidedly truthful moniker — "rank and yank."

Why 'Rank and Yank' Does Not Work

This approach to succession management is not effective in establishing long-term stability and productivity within a corporation for a number of reasons, many of which are elucidated in a Corporate Leadership Council survey on leadership bench strength and development strategies:

- Companies with above-average leadership bench strength enjoy above-average revenue growth, relative to their industry peers.
- Organizations that successfully reallocate their development resources to meet leaders' needs can measurably improve the strength of their leadership bench.
- Many organizations struggle to implement the most important leadership development programs effectively and would benefit by reallocating their development resources to meet leaders' needs.
- Feedback and relationship programs (such as coaching and mentoring) are the most effective leadership development strategies.
- Many leadership teams are weakest in the skill area that matters most, leading companies to look for solutions to the leadership development challenge.
- More than 8,000 leaders report that people management skills are the most important attributes of effective leadership, outranking strategic management, personal characteristics, and day-to-day business management.

Corporations clearly benefit quantitatively when they

(continued on page 6)

Linking Succession to Development

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allocate their resources to partner with their employees, to help them gain the skills they require to become effective managers. The burden is not placed on the employee to “shape up or ship out.” That survival-of-the-fittest approach ignores the fundamental question of where tomorrow’s leaders are coming from.

The answer to that question is the same as it has always been — from inside the company. Talent is all around you; it manifests itself differently in different people, both in the form of capabilities and in the time it takes to mature into leadership positions. Leaders emerge in sometimes subtle ways, and at their own pace, perhaps only within a limited, yet crucial, sphere.

Developmental Activities

Developmental activities do not dramatically differ from one best practice organization to the next. In every case, these companies invest the majority of their time and resources on top-tier (executive) talent. There are four major common factors in how best practice organizations engage their current and future leaders in developmental activities:

- They believe that the most important developmental activity is job assignments or work experience, and they spend considerable time balancing the corporation’s need to fill vacant positions with assignments that will help key people grow and develop their potential.
- They use a variety of developmental activities, including mentoring, coaching, job rotation, traditional educational programs, and formalized feedback processes.
- They try new approaches to development, including special assignments, action learning, and Web-based educational activities.
- They find that computer-based technology has expanded their ability to effectively monitor developmental activities.

Internal Leadership and Executive Education

The best practice organizations all have formal internal programs in place that focus on the further development of their top-tier executives. Dell Computer, for example, focuses most of its development activities on the global corporate talent pool that houses its top talent, identifying its best and brightest, and holding business unit leaders accountable for carrying out whatever developmental actions are designated for those future stars.

Most best practice companies agree that the vast majority of real learning employees encounter takes place on the job. Consequently, most of these companies have a special assignments or action learning program in place. One of the most common and effective

Dow Chemical Puts Premium On Performance

Dow Chemical employees are expected to engage in three performance activities: annual goals, performance reviews/discussions, and employee development discussions resulting in development plans.

Two tools are offered that involve input from multiple sources. The first is **360-degree development feedback**, which is based on the competency profile of the individual. This is for development purposes and is owned by the employee, who is encouraged to share the results and action plans with his or her supervisor.

The second tool is **performance excellence feedback**, which is based on the individual’s goals. This is for performance feedback and is owned by both the employee and the supervisor.

approaches is a task force assignment based on real and significant issues confronting the organization.

High-potential employees at Bank of America are assigned a specific enterprise topic to study and present findings to senior leaders. The company’s Six-Sigma efforts also help place these top performers on highly quantifiable and large-impact projects.

Best practice organizations all participate in mentoring and coaching programs, but typically on an informal basis. Formal coaching is usually reserved for top executive high potentials and is commonly outsourced.

External University Courses

Best practice organizations also use a mix of internal and external university-based education and development courses. PanCanadian, for example, offers an internal M.B.A. program, called the Management Forum, whose purpose is to provide management education by bringing best practices to participants, aligning management competencies with strategic direction to meet current and future needs.

With the vast and accessible training opportunities available through the Web, best practice organizations are making a wide array of courses available to their employees online. A good example is Dow Chemical, which currently has 60 tools and classes available online in its internal development program, including programs on ethics, Six Sigma, and Root Learning Maps that explain strategy, economic profit, etc.

More and more emphasis is being put on career planning and individual profiling as it relates to succession management. Individual development plans are used by all best practice organizations. These companies look

(continued on page 7)

Linking Succession to Development

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closely at employees' career preferences and try to match their interests and career development to a future job within the company. Employee career preferences can influence the development process, and employee preferences are honored where possible.

Performance management and 360-degree feedback are linked throughout the succession management process and are the main tools used by best practice organizations to place employees into development plans. The tools are tied together and based on core and leadership competencies. Most of the organizations polled also employ the results of 360-degree feedback for development purposes. ■

For Additional Information on a job assignment example, go to:
<http://my.summary.com>

Measuring and Assuring Long-Term Success

Developing leadership talent is a long-term investment. The effectiveness of today's systems is determined by their ability to move talented individuals at an appropriate pace into the right development opportunities over the span of their careers. Tracking the progress

Eli Lilly's Mentoring Goals

The goals of the mentoring program at Eli Lilly and Company are to do the following:

- ✓ Facilitate short- and long-term business performance by developing the executive talent pool, with emphasis on minorities, females and diversity.
- ✓ Strengthen the relational and learning skills of mentors and mentees.
- ✓ Develop effective role models for mentoring among senior executives.
- ✓ Further develop the competencies of mentees, leading to an understanding of organizational culture, personal development, job satisfaction, and new career opportunities.
- ✓ Create expectations for mentoring throughout the organization.
- ✓ Identify general principles from which a culture supportive of mentoring can be built.

Since its launch in 1998, the program has succeeded with its target audience. However, a limited number of mentors has caused the formalized program to be run rather sporadically, although informal mentoring occurs more frequently.

of individual participants is a necessary dimension of a best practice succession process. The most successful systems must also measure their own record at identifying developmental opportunities, filling them with the right people at the right time, and spotting looming shortages or gaps in both talent and developmental positions, rectifying these gaps quickly.

Best practice organizations employ a variety of qualitative and quantitative methods of measurement and assessment, to ensure that desired outcomes are achieved and to provide the broadest and most fine-grained range of perspectives on the system's real effectiveness. The long-term success of these processes is the product of the owners' willingness to constantly revisit and redesign the systems themselves. Continuous improvement in both process and content is required for true success.

What Is Measured?

The most frequently used quantitative measurements of system effectiveness are the organization's ability to fill key jobs with internal candidates, rather than outside hires; ethnic and gender diversity in promotions; retention/attrition rates; and positive job evaluations following promotion.

Qualitative assessments tend to be based on issues such as the participants' transition experience into their new role, the quality of their preparation beforehand, reasons for attrition, and qualities of bosses in developmental assignments.

Best Practices: Metrics

Sonoco Products Company does not perform any statistical analysis on its succession planning process. Instead, its HR department supports a functional measure of the system, to determine whether candidates are being placed in appropriate open positions, and whether they are successful in those positions. When the company implemented its process, divisions reported a 75 percent savings in time, compared to time spent in previous years. In addition, Sonoco has an 80 to 90 percent success rate in performance and promotability.

One of the primary metrics reviewed by **Dell Computer** is bench strength. Each business unit is responsible for reporting the percentage of positions with a current successor and with identified successors.

The succession planning process at **Bank of America** is measured in several ways:

- **Measuring performance goals.** The bank tracks whether it is achieving its talent goals and whether it is positioned to do so in the future.

- **"Ready now" replacements.** Bank of America tracks and monitors the number of "ready now" replacement candidates for the company's top 50 jobs.

(continued on page 8)

Measuring and Assuring Long-Term Success

(continued from page 7)

● **Diversity.** Given the changing demographics of the bank's customer base, both now and in the future, it is imperative for Bank of America to have the right diversity mix in its leadership ranks to make sure they mirror and even outpace customer demographics.

Lessons for Long-Term Success

Despite the innovative processes exhibited by best practice organizations, they all have faced challenges in instituting the succession planning process and have learned lessons along the way. In addition to the lessons learned, they have focused on the continuous improvement of their approaches.

The elements that contribute to success at **Eli Lilly and Company** include making the succession management process mandatory, overcommunicating to the appropriate people, strong CEO and senior management involvement, integration with other HR processes, and a drive to make the process and tools as simple and understandable as possible. Two recommendations for success offered by Eli Lilly are to implement one single, consistent and simple process, and one reliable technology solution (a database that works) for the enterprise.

Sonoco Products Company exhibits the following critical elements for a successful succession planning system:

- Senior management supports and uses the process, making it more than just an exercise.
- The process is simple and practical to use.
- The design solves the organization's succession planning needs.
- There is serious commitment on management's part to apply the results.

Other Lessons for Success

While the succession management process differs from one organization to another, there are certain characteristics of an effective program that are universal:

● **Smooth transitions.** Having someone to step into an important vacancy is a critical measure of the effectiveness of succession management. However, helping that person transition in a positive manner with all the necessary skills and knowledge is as important and often more challenging to execute.

● **The "right" developmental assignments.** A successful process includes job assignments that properly prepare candidates for their new positions, as compared to a sink-or-swim approach.

● **Meaningful appraisals and feedback.** Objective assessments are essential in order for management to specify what is required for a successful promotion.

● **Appropriate selection criteria.** A successful succession management system is dependent on the development of competencies for each job, giving everyone involved a clear picture of the skills, values, behavior and attitudes required to succeed.

● **A range of good choices.** A working succession system results in having more than one good person available for a key job. Real success requires choices between two or more qualified people. ■

For Additional Information on diversity and succession planning at PanCanadian, go to: <http://my.summary.com>

Promising Trends in Succession Management

There are several critical trends that will further strengthen the transformation of succession management from a replacement tool to a development and leadership capability tool, ensuring systems and processes are responsive and less bureaucratic.

Succession planning will continue to become more integrated into the everyday life of organizations, moving from a formal "annual event" to become a part of the daily fabric of doing business. Technology will integrate succession processes into the desktop computers of managers. A single icon will grant immediate and widespread access to succession planning information.

All of the components of human resources management are being looked at, appropriately, as fully integrated, aligned systems, rather than as a set of disconnected activities. Gone is the "silo" mentality that kept HR from other business units — the hyper-competition of the contemporary world makes such an approach outdated and dangerous to the bottom line.

Technology Can Improve Planning

To increase access to and use of succession planning, best practice organizations continue to use technology as a critical facilitator of the process. Web-based succession planning systems enable companies to run their process online and ensure continuous access to data. Employees can then take ownership of their own development plans through their own desktops.

While subjectivity will always be part of candidate assessment, great progress has been made toward more objective assessments, including 360-degree feedback. As its use expands, we will witness a broader array of raters, including administrative staff, support staff, internal and external customers, etc. Best practice organizations will increase their efforts at training line managers and executives to perform more objective assessments when providing 360-degree feedback. ■

· Book 14 of 46 ·

HR From the Outside In



HR From the Outside In

Six Competencies for the Future of Human Resources

THE SUMMARY IN BRIEF

Can human resources (HR) deliver value to “the business”? Yes, it can and must. And that’s just what *HR From the Outside In* is about. Following on the heels of *The Why of Work* and *HR Transformation*, it’s filled with tips for guiding and empowering HR professionals — and entire departments — so that HR might bring benefits of a different kind to everyone at your organization.

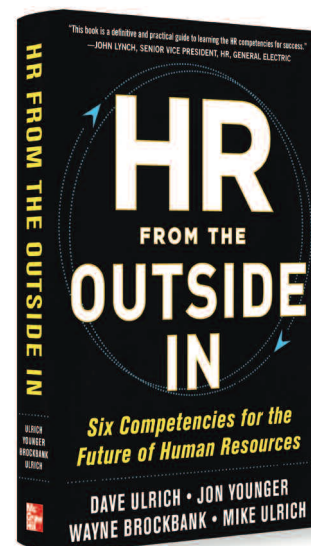
Since 1987, the authors have systematically studied the competencies that HR professionals use to contribute to their own effectiveness and to business success. In tracing and shaping the HR profession, they articulate and enhance HR’s ability to deliver on its potential and promises.

HR From the Outside In summarizes the authors’ sixth round of their 25-year research project, but it goes beyond the data to propose what’s next for the HR profession.

HR From the Outside In is for HR professionals and leaders everywhere — a population conservatively estimated at more than 1 million and growing.

IN THIS SUMMARY, YOU WILL LEARN:

- The six key HR competencies and how to recognize, foster, and master them.
- How to develop HR professionals to contribute as high-performing business partners.
- How to structure an HR department that delivers maximum value.
- What it takes to stay competitive and up-to-date in the ever-growing world of HR professionals.



by Dave Ulrich, Jon Younger, Wayne Brockbank and Mike Ulrich

CONTENTS

Next Generation HR
Page 2

Strategic Positioner
Page 3

Capability Builder
Page 4

Change Champion
Page 5

HR Innovator and Integrator
Page 6

Technology Proponent
Page 6

Developing Yourself as an HR Professional
Page 7

The Effective HR Department
Page 8

THE COMPLETE SUMMARY: HR FROM THE OUTSIDE IN

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Next Generation HR

"Tell us about your business."

That's how we like to start when we sit down to work with senior HR professionals. We find that it is a good litmus test for assessing the current state of HR in a company.

Most replies start with discussing the latest challenges or innovations in HR practices (hiring people, training leaders, building incentive compensation, doing HR analytics, and so forth), relating to business leaders (having a voice at the table, getting buy-in), or managing the increased personal demands of the HR job (allocating time, staying upbeat in the face of overwhelming demands). That is, HR professionals almost invariably define business as "HR business" and are inclined to talk about their current initiatives in leadership training, recruiting, engagement or rewards — the areas where they focus their attention on the job. These efforts are important, but they are not the business. They are in support of the business.

The real business is external: the context and setting in which the business operates, the expectations of key stakeholders (customers, investors, communities, partners, employees), and the strategies that give a company a unique competitive advantage. If HR professionals are truly to contribute to business performance, then their mindset must center on the goals of the business. They must take that outside reality and bring it into everything they do, practicing their craft with an eye to the business as a whole and not just their own department.

Focusing on the business of the business enables HR professionals to add meaningful and sustainable value. When they ground their work with the business, HR professionals think and behave from the outside in.

The Business of Business

The bar has been raised for HR; HR must create and deliver value in real business terms.

If people are asked to name a business, most could quickly name a famous company (such as Google) or a local establishment (such as a restaurant). But naming and understanding a business are different things. The appreciation of how a business operates requires a three-tiered approach:

- First, understand the context in which the business functions, including general societal pressures that encourage or discourage it (such as the increased interest in and access to knowledge enabled by rapid technology change that drives Google's phenomenal growth).
- Second, understand the stakeholders who shape and sustain the business, including customers, investors, regulators, competitors, partners and employees.
- Third, understand the business strategy to uniquely position the business to serve stakeholders, respond to general conditions and build competitive advantage.

Paradoxes mean that HR people and departments are effective only when they can simultaneously deliver multiple outcomes. Instead of moving from one outcome to another, HR has to do both. ●



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Approach and Findings

Effective HR professionals maintain the same high standards that companies expect of other key functional areas — that is, they must create specific and substantial value for customers and shareholders. And this is not a statement of simple hope or faith; it is a conclusion backed by 25 years of empirical research. Our Human Resource Competency Study (HRCS) has allowed us to assemble the world's largest global data set on the competencies of HR professionals.

Purpose and Vision

Over the years of the HRCS, we have focused on contributing to the progress of the HR profession. We have two specific definitions of what we mean by progress, especially in the context of our research. At the individual level, progress is defined by improvement of the overall effectiveness of HR professionals. At the business level, progress is defined by the extent to which HR competencies and activities are applied to enhance business impact. We help HR professionals understand which competencies will allow them to contribute directly to business results.

We have identified six domains of HR competency:

- Credible Activist
- Strategic Positioner
- Capability Builder
- Change Champion
- Human Resource Integrator and Innovator
- Technology Proponent. ●

Strategic Positioner

MOL, an integrated oil and gas company in Eastern Europe (Hungary, Slovakia and Croatia), faces talent challenges. It employs around 34,000 people, but its workforce has been aging over the last 20 years. With negative perceptions about work in this industry widespread among younger people, it was hard to keep up with natural attrition — especially as those willing to consider working for an energy company were rarely qualified to do so.

Members of the HR team wanted to find more effective ways of recruiting young employees. They knew that they had to change the attractiveness of natural science studies at universities. They pursued a number of activities to support natural science education and attract future employees to their industry and firm:

- They launched a “Freshhh” brand to attract and engage future employees. They held an online con-

test called “Junior Freshhh” in which 900 teams (2,500 pupils from five countries) competed on math, chemistry and physics problems.

- They created award programs for natural science teachers. More than 300 nominations of science and math teachers came from 120 different schools.
- They formed strategic partnerships with teacher associations and created scholarships at targeted universities.
- They invited winners of the Freshhh University competition to join MOL's fresh graduate program (called GROWWW), where they have unique career opportunities within MOL (300 employees a year).

The company has 30 times more applications per year since starting these initiatives. Those new employees who go through the GROWWW program have a retention rate of 92 percent and, in four years, 25 percent have moved into management positions. MOL's HR leaders calculate they have saved at least €50,000 because they did not have to use search firms to fill these positions. Finally, they have increased the engagement level throughout their workforce.

What We Mean by Strategic Positioner

MOL recognized that its talent deficit could be partially solved by investing in secondary and university education, by changing the image of natural sciences, and by creating an enticing employee value proposition.

HR professionals acting as strategic positioners help place their organization in the business context in which they operate. Positioning here refers to formal products and services as well as informal reputation. Positioning focuses on creating the future as you recognize, anticipate, and take advantage of emerging trends. Positioning requires flexibility and adaptation to discover and then respond to opportunities. Positioning is more than merely transforming your organization; it is about transforming it to fit with and shape future opportunities as defined by your selected markets.

We see four phases of becoming a strategic positioner: acquiring a grasp of finance, strategy, stakeholders, and context.

Being Business Literate

Since finance is the universal language of business, any discussions of business literacy must be grounded in finance. HR professionals should be able to interpret an income statement, balance sheet and financial analyst's report on their organization. Increasing business literacy, like learning a new language, includes many small steps:

- Start every staff meeting by reviewing financial performance data, not just to review the data but to

Summary: HR FROM THE OUTSIDE IN

subtly enhance financial literacy among the HR staff.

- Record and play the quarterly investor call for the HR staff meeting and other HR professionals.
- Place HR professionals on the distribution list for financial reports and industry trends that are sent to business leaders.
- Ensure that HR professionals master the logic of their particular business so that they know its core technical requirements.

Storyteller

You can do a great deal to create strategic unity with appropriate stories. To simplify strategy so that it creates intellectual direction and emotional support, complex demands need to be stated simply and clearly. Unfortunately, there's a tendency to think that if you can get something onto one page, it is simple and clear — but that's just not the case.

Old Navy (part of Gap) has done a marvelous job, creating a prototype customer named Jenny, a woman who is in her late 20s or early 30s, shops on a budget and wants to be smartly dressed. When the company considers product choices, it asks, "How will this affect Jenny?" ●

Credible Activist

Humana, headquartered in Louisville, Ky., is a leading healthcare company with 40,000 associates in the United States and Puerto Rico. It offers a wide range of insurance products and health and wellness services that incorporate an integrated approach to lifelong well-being. Humana has seized opportunities throughout its history to reinvent itself to meet changing customer needs.

In 2000, Humana had emerged from a failed merger; its stock had plummeted and costs were rising exponentially. The new CEO, Mike McCallister, called on Bonnie Hathcock, Humana's CHRO, to help create a new strategy to turn things around. Hathcock proved a credible activist indeed. She worked closely with the senior team to create the Humana Leadership Institute, bringing Humana's senior leaders together in a learning forum that engaged them in defining "Humana's dream," an aspiration to be a leader in lifelong well-being that appealed to employees emotionally as well as intellectually, thus evoking excitement and commitment. The dream has become a movement within the company that has energized associates to pursue their own well-being, provided positive outcomes, and has become a guiding force for how people think about engaging their customers.

A number of HR-led initiatives in Humana have since demonstrated the power of well-being as a driver of engagement and positive health outcomes. For example, one program demonstrated an increase in associate well-being that reduced obesity over time. The focus on well-being has also led to changes in the workplace and design of workspaces. It has inspired associates to introduce grassroots initiatives ranging from well-being fairs to physical exercise challenges such as stairs and steps campaigns. As a result of these initiatives, Humana engagement scores were more than 75 percent.

The focus on lifelong well-being is now a cornerstone of Humana's new brand identity, and Humana has broadened its focus beyond healthcare costs to preventive care and improving well-being. Said McCallister in an interview with *Fortune* magazine (March 2011), "This idea of helping people get to a better spot from the standpoint of well-being is what's going to drive us, and we think that's a business for us."

What We Mean by Credible Activist

Effective HR professionals are credible activists. Credibility comes when HR professionals focus their time and attention on the issues that matter to the business, do what they promise, meet their obligations and commitments, communicate effectively and build relationships of trust with line managers and other colleagues, and demonstrate a willingness to take professional and personal risks to create value for the business. ●

Capability Builder

How long does it take to get a feel for the atmosphere of a restaurant, grocery store, church, bank or your organization when you walk through the door? Moments, usually. This intuitive feel may be labeled many things: culture, climate, work environment, expectations, unwritten rules, ambiance, brand or identity. Regardless of what it's called, it is real, and it affects both how customers feel about doing business with a place and how employees feel about working there.

HR professionals can key into this informal intuition and help create the right organization — that is, an effective and engaging organization that does what is needed — by becoming what we call "capability builders." In the last 20 years, we have worked with leaders from dozens of companies to define and deliver the right organization. Examples come from around the world and across the gamut of business:

Summary: HR FROM THE OUTSIDE IN

- General Electric leaders have worked to create an identity of innovation, imagination and invention across the company's wide array of business.

- Harrah's has worked to build a customer service mentality among all employees that distinguishes the customer experience from that in other casinos.

Capitalizing on Organization Capability

Organizations must be designed to help deliver strategy. To do so, HR professional business leaders should focus on an organization as a set of capabilities rather than as processes, structures or systems. HR professionals should be able to do organization audits through five steps:

1. **Select the organization element in which the organization audit should occur.** This element might be the entire organization or a business unit, region, or plant.

2. **Create the content of the audit.**

3. **Collect data from multiple groups on the current and desired status of the capabilities being assessed.** This information may be collected by pursuing a variety of patterns: 90 degree, 360 degree, 720 degree.

4. **Synthesize the data to identify the most critical capabilities requiring managerial attention.** The data from the audit need to be condensed into key messages and then translated to action.

5. **Assign teams to deliver critical capabilities by putting together an action plan with steps to take and measures to monitor.** This capability plan should be focused and timely. ●

Change Champion

Change occurs in every part of personal and professional life. HR professionals should help their companies face, accept, and be open to the pressures for change rather than hide from them.

If an organization cannot change as fast as the pace of change in its environment, the organization will fall behind, decline and disappear. Change in an organization should at least match the pace of change of the environment.

Factor 1: Initiating Change

Initiating change means getting started, turning pressure for change into change initiatives, and taking the first steps to move change forward. Our research showed that six competencies define the extent to which HR professionals initiate change:

1. Ensure that key leaders are supportive of major change initiatives.
2. Help people understand why change is important — create a sense of urgency.
3. Identify and overcome sources of resistance to change.
4. Help set the direction of change with clear intended outcomes.
5. Build commitment from key people to support change efforts.
6. Articulate the key decisions and actions that must happen for change to progress.

As change agents who initiate change, HR professionals help define why change matters, what should be changed, and who supports the change. In defining why change matters, HR professionals need to build a compelling intellectual and emotional case for change.

To become better at initiating change, HR professionals need practice. They can coach business leaders in the midst of change and observe what they (the HR professionals) do well and what they do not do well. They can participate on teams charged with implementing business initiatives. They can investigate how well their organization has accomplished change in the past, synthesize lessons learned, and propose new actions for the future.

Factor 2: Sustaining Change

Sustaining change means sticking with initiatives, making sure that desired changes happen, and delivering outcomes from the change. Our research identified three specific behaviors that HR professionals can demonstrate to help sustain change:

1. Ensure the availability of resources needed to stick with the change (money, information, technology, people).
2. Monitor and communicate progress of change processes.
3. Adapt learnings about change to new settings.

Individual Change

Organizations don't think; people do. HR professionals help people in organizations change by personalizing HR practices around a tailored employee value proposition, by creating a work environment that encourages personal growth, and by coaching key leaders to build a personal leadership brand.

A leadership point of view generally looks inward; it's about who I am as a leader. A personal leader brand looks outward and focuses on impacts on others. Leaders who focus on their brand more than just their

Summary: HR FROM THE OUTSIDE IN

point of view elicit greater productivity from employees, more confidence from customers, and increased security for investors.

Institutional Change

Sustained change has to become a pattern that extends beyond an isolated event. To become a pattern, the change needs to be institutionalized — that is, become part of the unspoken rules, rituals, norms, expectations, tacit assumptions, and behavioral expectations that every organization has. The patterns often determine how employees behave. When these implicit expectations are not made explicit, employees tend to perpetuate the patterns they've been living with rather than change them. HR professionals help create institutional change by exposing and confronting these hidden patterns. ●

HR Innovator and Integrator

In mid-2011, AXA Equitable faced the challenge of implementing a reduction in staff while maintaining employee productivity, and introducing more innovative and profitable insurance products to the market. Rino Piazzola, CHRO of AXA Equitable, recognized the need to recommit the organization and, with us, implemented a “work-out” initiative: engaging employees at all levels in identifying ways to take unnecessary work and cost out of the organization and enable employees to focus on the important activities — the ones that create value for customers.

Over the next three months, hundreds of ideas were generated, and a significant number were implemented — from eliminating reports that were marginally useful to identifying new and more effective ways of organizing work. An extensive review found that 80 percent of participants described work-out as having had a strong personal and organization impact, and an equal percentage described work-out as personally meaningful and relevant to their work. Groups in finance, IT and product development used work-out to kick off specific improvement efforts in their departments. In fact, more than 180 specific work-out initiatives were kicked off as part of the project. CEO Mark Pearson participated in a day-and-a-half session and wrote a note to all company executives reinforcing the importance of their participation and leadership of work-out. As a result of the success of work-out, line management identified leadership and engagement as critical organizational capabilities. HR is now addressing related needs for improvement in the development of leader coaching and performance

management skills and is looking at other ways to reinforce a culture of employee engagement.

What We Mean by HR Innovator and Integrator

HR innovator and integrator makes up a more pointed competency domain than other domains. It is an extension and expansion of the talent management and organization design competency domain from the 2007 study. The focus is on ensuring that the organization has the right talent and leadership for the current and future success of the business. It emphasizes the need for innovation in designing HR practices that drive the talent agenda of the organization.

Consideration of HR innovation and integration frequently leads to a discussion of best practice. It is all too easy to assume that best practice will work for any given organization simply because it has been identified and endorsed. In fact, best practice may be innovative, but it may be inconsistent with the needs of businesses. There are three drawbacks to a best practice approach: appropriateness, relevance and synergy.

Developing Talent

When it comes to developing employees, the focus is on both how and how well the organization is growing the technical and organizational or interpersonal skills needed for people to have productive and satisfying work lives. The actions that make up this factor are standard setting, assessment, investing in talent and follow-up.

Rather than focus on what has worked in the past by comparing low- and high-performing employees, more recent competence standards come from turning future customer expectations into present employee requirements. At any level in a company, an HR professional can facilitate a discussion of the following questions:

- What are the current social and technical competencies we have within our company?
 - What are the environmental changes facing our business and what are our strategic responses?
 - Given our future environment and strategic choices, what technical and social competencies must employees demonstrate? ●
-

Technology Proponent

From customer transactions to supplier management and from investor relations to employee engagement, technology is everywhere. Ubiquitous connectivity and pervasive digitization have transformed the face of IT in

Summary: HR FROM THE OUTSIDE IN

businesses large and small over the last two decades. Fortunately, HR can play an active role in addressing the issue of technology and information management, adding materially to its value to the business. Every aspect of the HR function — recruitment, compensation, training, employee learning, performance management, knowledge access, and even leadership development — is now enabled by information technology.

HR lags far behind technology use in operations, finance or marketing. The automation of HR functions such as payroll, performance appraisal and employee benefits can deliver efficiency; introducing employee self-service can increase it further. But this is only the starting point. The capacity for digitization of employee information, organizational roles, and workflow across functions opens up enormous opportunities for HR to improve its management of employee information and experience.

American Express has empowered its customer care professionals by providing a flexible technology platform that enables these employees to trade work shifts with each other on their own, without having to go through the hierarchy of approvals from supervisors. This allows people to improve their work-life balance. For example, someone who wants to catch up on a school soccer game or tend to a sick child can trade shifts with another willing employee. The system records all of the customer care shifts digitally, tracking them at the employee level. It thus allows management to keep employee empowerment from turning into license and damaging the customer experience. It is no surprise that this platform was recognized with the company's annual CEO innovation award. ●

Developing Yourself as an HR Professional

The competencies defined by the 2012 HRCS call on HR professionals and departments to move beyond the performance that marked HR success in earlier years. HR has experienced four waves. This evolution has led HR from a historical grounding in administration to the development of functional expertise in areas such as compensation, performance management and leadership development. In wave three, we see a shift from functional expertise to the role of strategic business partner. What we call “wave four,” or outside-in HR, emphasizes the emerging responsibility of HR to be an informed observer and interpreter of the external trends and conditions that are likely to impact business success. Its focus

builds on the prior phases, going beyond strategy to align its work with business contexts and stakeholders.

The new wave is a change in context as well as competence. HR professionals must have the skills to interpret environmental events and trends, co-create a strategic agenda that informs the human capital implications of business strategies and priorities, and play a leading role in ensuring the leadership, culture, and talent required for future success.

Here are the steps to take in an effective individual development plan:

Step 1: Own Your Career

Owning one's career requires activism — credible activism. Make the decision to use all the sources of insight and support available to you — your manager, the mentors you can recruit inside and outside your organization, and your colleagues.

Don't wait for guidance. Seek it. Step up.

Step 2: Learn About Yourself

A key competency factor in the credible activist domain is improvement through self-awareness. Learning about yourself and seeing yourself as others see you is a critical step. A useful starting point is applying the sources of individual abundance from *The Why of Work*. The seven questions presented there will help you focus:

1. *Identity*: What am I known for?
2. *Purpose and direction*: Where am I going?
3. *Relationships and teamwork*: Who is traveling with me?
4. *Positive work environment*: How do you build a work environment that facilitates the best of what you and others bring to the organization?
5. *Engagement and challenge*: What challenges most interest and excite me?
6. *Resilience and learning*: How do I learn from setbacks?
7. *Civility and delight*: What delights you, and how are you contributing to a respectful, appealing workplace?

Step 3: Define Your Brand

How do you want to be known in the organization? Whether you've consciously built it or not, like every employee, you already have a brand of some kind: how you are seen and experienced by those with whom you work. These are factors that have created your brand:

- What you choose to work on
- The people and groups you choose to work with
- What you are good at and enjoy doing
- How you respond to difficult situations

Summary: HR FROM THE OUTSIDE IN

- How you deal with challenge
- How others have experienced you and your work

Step 4: Assess Your Strengths and Weaknesses

Once you've identified what excites you and your professional brand, the HRCS provides a framework for identifying strengths and weaknesses from a competency perspective. We invite you to answer three questions:

1. What competency mix does my current role require of me?
2. What mix will be increasingly important as I develop and advance in the organization?
3. Where do I stand? What are my priorities for improvement and development?

Step 5: Create Opportunities for Growth — from the Outside In

Opportunities to both increase your impact and improve your development are best identified on an outside-in basis.

General Electric HR professionals identified the opportunity to build the GE Capital business by providing support to customers in areas of HR excellence, such as leadership development, engagement and Six Sigma. Inviting customers to send people to the GE Welch leadership center at Crotonville has generated strong business opportunities and customer loyalty — both particularly critical in emerging markets.

Step 6: Conduct Projects and Experiments

The whole point of personal development — improving competence — is turning what you know into what you do. Closing the know-do gap requires careful attention to your work assignment, backed up as needed by education and refined through project work, special assignments and external experiences. ●

The Effective HR Department

We asked the following question to determine where an HR department delivers value: How well does your HR department design and deliver HR practices that add value to the following stakeholders of your business? We referred to: investors, communities and regulators, partners, line managers, employees and customers.

The mean scores show that all respondents see HR delivering more value to employees and line managers inside the company than to customers, investors, and community stakeholders outside the company.

As we have proposed in the outside-in perspective, it is possible to have customers, investors and communities

help set the criteria for what constitutes effective HR. A CHRO might use these questions as a template:

- How aware are we of the targeted customer, investor, and community stakeholders — who they are and what they expect from us?
- In staff meetings, how much time do we spend on customer, investor and community expectations?
- As we design HR practices regarding people, performance, information and work, how much do we consider customer, investor, and community expectations?

How to Build an Effective HR Department

Having reviewed these HRCS data and our experiences working on many HR transformations, we would suggest four priorities for creating an effective HR department:

1. Create an HR business plan.
2. Finalize your HR department organization.
3. Provide good HR analytics.
4. Do HR for HR — be a role model. ●

What's So? So What? Now What?

We have chronicled the development of HR for the past 25 years. We have seen a great deal of change in HR, but also wonderful signs of its maturation as a critical business and organizational function.

As HR professionals, we must provide an interpretive ability to see the connection between what is happening outside and the opportunities or threats it portends for our organizations. And that insight must enable line managers at every level to convert vision into action — and action into results that benefit the customers and stakeholders of our organizations.

We are incredibly optimistic about the future of HR and we are inclined to believe that the golden age of HR is still climbing toward its zenith. ●

RECOMMENDED READING LIST

If you liked *HR From the Outside In*, you'll also like:

1. ***The Rare Find* by George Anders.** Drawing on the best advice of talent masters, Anders reveals powerful ideas you can apply to your own hiring.
2. ***The 2020 Workplace* by Jeanne C. Meister and Karie Willyerd.** Meister and Willyerd present a functional guide to help you and your organization create tomorrow's workplace of choice.
3. ***The HR Scorecard* by Brian Becker, Mark Huselid and Dave Ulrich.** A new approach has been developed to chart the strategic influence of HR functions and that system showcases HR's impact on business performance.

· Book 15 of 46 ·

HR Transformation



HR Transformation

Building Human Resources from the Outside In

THE SUMMARY IN BRIEF

The biggest challenge for human resources (HR) professionals today is to help their respective organizations succeed.

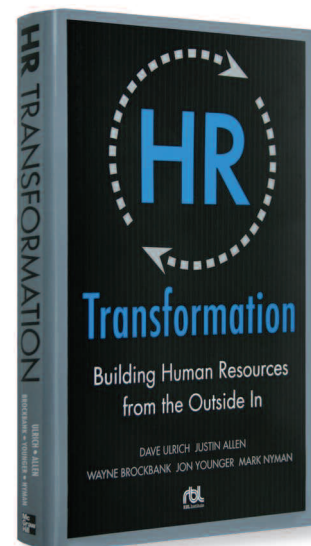
HR professionals often focus internally on the function of HR rather than externally on what customers and investors need HR to deliver. If HR professionals are to truly serve as business partners, then their goals must be the goals of the business. Transforming HR professionals into business partners isn't the end in and of itself; it's the means to a strategic, business-oriented end.

In *HR Transformation*, five top HR professionals from The RBL Group capture both the theory (ideas, rationale and approaches) and the practices (tools, processes and actions) for creating a successful HR transformation. They offer specific guidelines for transforming HR departments and/or functions, practices and professionals, combining theory and practice so that those charged with and affected by HR transformation can make sustainable progress. They also suggest specific roles for line managers, HR professionals, employees and advisers to deliver the hope of transformation.

This summary offers organizations into how to make HR the essential source for strategic solutions.

IN THIS SUMMARY, YOU WILL LEARN:

- How HR transformation is not about normal HR tasks; it is about building business success.
- How to ground your organization's HR transformation to the context of business demands.
- How to transform HR in a way that focuses on adding value to the business rather than simply optimizing HR as a function.
- How to integrate HR practices with each other around key business results.



by Dave Ulrich, Justin Allen,
Wayne Brockbank,
Jon Younger and
Mark Nyman

CONTENTS

**Phase 1:
Business Context**
Page 2

Phase 2: Outcomes
Page 3

**How To Do
Transformation**
Page 4

**Phase 4: HR
Accountability**
Page 5

**Pfizer: A Journey to
Smaller, Better, Faster**
Page 6

**Intel: Swinging the
Pendulum From Tactical
to Strategic**
Page 7

**Creating Capability in a
Fast-Track Subsidiary**
Page 8

THE COMPLETE SUMMARY: HR TRANSFORMATION

by Dave Ulrich, Justin Allen, Wayne Brockbank, Jon Younger and Mark Nyman

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A Handbook for HR Transformation

A true HR transformation is an integrated, aligned, innovative and business-focused approach to redefining how HR work is done within an organization so that it helps the organization deliver on promises made to customers, investors and other stakeholders.

A four-phase model for HR transformation can be used to ensure that HR drives business success and avoids the common pitfalls of such efforts. This model addresses four simple questions about HR transformation:

- **Phase 1: Build the business case.** (Why do transformation?)
- **Phase 2: Define the outcomes.** (What are the outcomes of transformation?)
- **Phase 3: Redesign HR.** (How do we do HR transformation?)
- **Phase 4: Engage line managers and others.** (Who should be part of the HR transformation?)

This model needs to be adapted, not adopted. The issues raised in each of the four steps are important and should be considered in ways that make sense for your organization. ●

Phase 1: Business Context (why)

When people understand the “why” of change they are more likely to accept the “what.” This simple principle holds true not only in personal change but also in HR transformation.

Why Do the Transformation?

When HR transformation connects to the context of the business, it is more likely to be sustained because it responds to real needs. This means linking HR efforts directly to the business strategy and to the environmental factors that frame the strategy.

First, begin the transformation by reviewing business conditions and stakeholder expectations. Before jumping in, however, identify your level of readiness for HR transformation by completing an assessment.

Understand General Business Conditions

While aligning human resources with business strategy, HR leaders should not only look at the business strategy but also look through the strategy to see and understand the business conditions or external realities that shape it. Traditional strategy is like a mirror where HR can reflect its investment. Look through the mirror (strategy) to external customers and investors to fully understand the antecedents of the strategy. Understanding and linking HR with these contextual constituents helps HR not just implement the strategy but also play a key role in defining it.

By focusing on the business context, HR can avoid the common mistake of seeking to implement internally focused ideas and concepts that come across as solutions looking for problems. To build this rationale for doing HR transformation, you need to understand general business conditions and specific stakeholders' expectations, and then use that understanding to build a business case for the transformation.



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Build a Business Case for HR Transformation

Real HR transformation begins by responding to the general business conditions and specifically serving key stakeholders.

When HR professionals start by thinking about the outcomes of their work as defined by the business context, they change their conversations with line managers and are better able to justify why an HR transformation should occur.

The implications of this approach show up in the meeting when HR transformation is being proposed. In this meeting, either with a line manager or a senior executive team, the inevitable question will arise: Why are we doing this transformation work? Many HR leaders will answer from an internal perspective: to build better talent, rewards, structure or communication practices. When these outcomes are linked to the business context, however, the justification for the HR transformation is stronger. ●

Phase 2: Outcomes (what)

HR transformation is not a single event — it's a new pattern of thought and behavior.

Once business leaders acknowledge that HR transformation will help them respond to business challenges, they will inevitably want to know how to measure the impact of the transformation.

The traditional answer is that you can measure specific quantitative outcomes of HR practices. For example: How many people did we hire? What percentage of low performers was removed from the organization? How many information sessions were held?

But if that's all you do, it's not enough. It's not unimportant to measure the activity of HR, but you also need to measure the outcome or value of these activities. Tracking activity is not the same as tracking fundamental transformation or increased value creation.

What Are the Outcomes?

HR transformation has two types of outcomes. First, the stakeholder expectations should be realized. HR transformation should play a significant part in determining stakeholder results. Second, HR transformation can be tracked by the capabilities an organization creates.

While stakeholder measures track the outcomes of HR transformation as seen by the recipients of the transformation, the HR transformation should also change the fundamental identity, culture or image of the company. This outcome of HR transformation is *defining and building capabilities*. Capabilities shape the way people think about organizations. ●

Organizational Capabilities

The following capabilities and their measures seem to be inherent in well-managed firms:

- **Talent.** *We are good at attracting, motivating and retaining competent and committed people.*
- **Speed.** *We are good at making important changes happen fast.*
- **Shared mind-set.** *We are good at ensuring that customers and employees have positive images and experiences with our organization.*
- **Accountability.** *We are good at the disciplines that result in high performance.*
- **Collaboration.** *We are good at working across boundaries to ensure both efficiency and leverage.*
- **Learning.** *We are good at generating and generalizing ideas with impact.*
- **Leadership.** *We are good at embedding leaders throughout the organization who deliver the right results in the right way — who carry our leadership brand.*
- **Customer connection.** *We are good at building enduring relationships of trust with targeted customers.*

Phase 3: HR Redesign (how)

The third phase of HR transformation addresses how to do the transformation. This phase has three components, each of which is a way of defining what HR means:

- The HR function or department may need to be redesigned.
- HR practices may be transformed to be more effectively or fully aligned, integrated and innovative.
- HR professionals may be upgraded to possess the competencies required to do their work.

Redesign the HR Department

Transforming an HR department requires building an HR organization that reflects both the business organization and the HR strategy. There are three overriding organizational design principles: First, make the HR organization follow the logic and structure of the business organization. Second, make the HR organization follow the flow of any professional service organization. Third, differentiate between transactional and transformational HR work.

Building on these three design principles, the evolving HR organization can have five distinct and, at times

Summary: HR TRANSFORMATION

overlapping sets, of responsibilities. These five responsibilities represent channels or ways of doing HR work:

HR Channel 1: Service Centers. Service centers emerged in the late 1990s as HR leaders (and leaders of other functional organizations, such as IT, finance and purchasing) realized that many administrative tasks are more efficiently performed in a centralized, standardized way. Transformation of service centers comes primarily through technology-enabled employee self-service, outsourcing or both.

HR Channel 2: Corporate HR (HR Oversight). The corporate HR role can be redesigned to address six important responsibilities:

- They create a consistent firm-wide culture and identity.
- They shape the programs that implement the CEO's agenda.
- They design processes to make sure that HR work aligns to business goals.
- They arbitrate disputes between centers of expertise and embedded HR.
- They take primary responsibility for HR services of corporate-level employees.
- They ensure HR professional development.

HR Channel 3: Embedded HR (Strategic Business Partnering). In shared service organizations, some HR professionals work in organizational units defined by geographic location, product line or functions such as research and development or engineering. These HR professionals, often called “embedded HR,” go by many titles: relationship managers, HR business partners or HR generalists. Whatever their specific title, they work directly with line managers and each organizational unit leadership team to clarify strategy, perform organizational audits, manage talent and organization, create value-adding organizational capabilities, deliver supportive HR strategies and lead their HR function.

HR Channel 4: Centers of Expertise (HR Expertise). Centers of expertise operate as specialized consulting firms inside the organization. They often act like businesses that have multiple clients (business units) using their services. Center-of-expertise HR professionals play a number of important roles that should be clarified in an HR transformation:

- They create service menus aligned with the capabilities driving business strategy.
- They diagnose needs and recommend services most appropriate to the situation.
- They collaborate with embedded HR professionals

in selecting and implementing the right services.

- They create new menu offerings if the current offerings are insufficient.
- They manage the menu.
- They shepherd the learning community within the organization.

HR Channel 5: Operational Execution. What has been missing in some HR restructuring is the capacity to deliver and implement the operational tactics while maintaining focus on key business and customer issues. While this operational work ideally occurs through an integrated team, someone needs to be charged with responsibility for this team and how it works.

Many companies are experimenting with how to solve this common problem: *how to make sure that HR implements state-of-the-art strategies tailored to the needs of the business.* This is an operational executor role. These HR professionals will be required to meld what the business requires for success (driven by the embedded HR professionals) with innovative and state-of-the-art HR practices (driven by the centers of expertise) into an operational plan that can be executed in a timely way.

How to Do Transformation

There are three ways to transform HR practices so that they have the maximum impact: align, integrate and innovate.

To transform HR practices, engage your internal organization, your process redesign group and your HR leadership team. Many companies have found it useful to identify and retain an external consultant to focus on the planning process so that the HR team can focus on content related to the plan.

Map the core HR practices, create a master HR systems design plan and create design recommendations for each practice. Next, establish desired outcomes and measures for each affected practice, create breakthrough practice design concepts and align the practice with other HR and corporate practices. Consolidate the design recommendations and create implementation plans. Then, implement the changes in concert with people and department changes. Finally, ensure that each HR practice — whether addressed in the transformation or not — has clear measures in place that allow you to continually monitor the contribution the practices make to critical organizational outcomes and help identify ways to improve them.

Upgrade HR Professionals

Ultimately, HR transformation depends on the quality

Summary: HR TRANSFORMATION

of HR professionals. There is a four-step model for building competencies:

- **Step 1: Articulate a theory or set a standard.**
Prepare a statement of what standards are required for HR professionals to be successful.
- **Step 2: Assess individuals and organizations.**
Establish a methodology for determining how well HR professionals do or do not meet the required standards.
- **Step 3: Invest in talent improvement.** Prepare a portfolio of development activities intended to upgrade HR professionals.
- **Step 4: Follow up and track competence.**
Develop a methodology to integrate the changes required for HR professionals to respond to increased expectations. ●

Phase 4: HR Accountability (who)

A successful process of HR transformation involves the right people at the right time in the right way. If HR professionals plan the transformation in a vacuum, others whose perspectives are needed during planning or whose commitment is needed during implementation are apt to resist the changes required of them; they will be less likely to support the more controversial or difficult elements of the plan, and they will certainly be less supportive or helpful as problems or challenges arise in the course of implementation.

Share Accountability for the Transformation

An HR transformation team should include representatives of four groups: HR leaders, line managers, customers and investors, and consultants.

An HR transformation should be sponsored by the chief HR officer, who should accept accountability for its design and delivery. It is often chaired by the head of HR and staffed with HR representatives from business units and centers of expertise, line managers from a mix of businesses including members of the C-suite, an outside adviser and representatives of customers and investors. This team meets regularly to set and deliver on milestones of the HR transformation.

Making It Happen

Making change happen involves two challenges: identifying in a logical way what should happen (this is the *content* of the transformation) and turning that content into what actually happens (this is the *process* of the transformation).

In any transformation, the pieces come together in

milestones, activities and outcomes. Milestones represent *what* should be done; activities define *how* it is done; and outcomes monitor *how to tell* if it has been done well.

Seven key factors help turn good intentions into successful reality: leading, creating a shared need, envisioning, engaging, decision-making, institutionalizing and monitoring and learning. ●

Tales From the Trenches: Transformation Case Studies

Flextronics is one of the world's largest electronics manufacturing services (EMS) companies, offering turnkey manufacturing and related services to leading electronics companies. With revenues exceeding \$33 billion in fiscal year 2009 and more than 200,000 employees, Flextronics continues to demonstrate its leadership within the EMS industry.

Phase 1: Business Context

Although a dominant player in the industry in 2006, the Flextronics executive team realized that they needed a new business model to survive — one that better met changing customer requirements while providing an improved global cost structure.

A leadership survey identified the absence of a strategic HR function as a critical barrier to success. Although a multibillion-dollar global company, Flextronics did not have a centralized HR function and had not effectively aligned the HR function with the business strategy.

With a clear understanding of the business realities and recognition that a centralized, strategic HR function would add significant value, the Flextronics executive team appointed HR expert Paul Humphries to oversee the creation of a global HR organization.

Phase 2: Identifying Critical Organizational Capabilities

Humphries had the challenge and luxury of creating an entirely new HR organization from scratch — the proverbial clean slate.

As a cohesive team, Humphries, CEO Mike McNamara and other members of the strategy team determined that in order to compete with Taiwanese upstarts and continue to dominate the industry globally, Flextronics would maintain position through a balance of acquisition and organic growth. As the team detailed Flextronics' new strategy, they agreed on three critical organizational capabilities necessary to support the success of the company's new direction: leadership, customer connectivity and efficiency.

Summary: HR TRANSFORMATION

Phase 3: HR Design — Developing the HR Organization, HR Practices and HR People

After much deliberation, the HR leadership team determined that the HR strategy would be as follows: Flextronics HR is a strategic business partner responsible for ensuring the business has world-class leadership, develops strong customer connectivity and operates with leading-edge efficiency. These outcomes are delivered by ensuring a solid organizational structure with a focus on “Design, Discover and Deliver,” which enables a strong focus on talent management; a committed, engaged workforce; and an agile change capability.

The HR strategy team recognized that support for this HR strategy wouldn’t be automatic and that communication and buy-in from leaders, HR professionals and line managers would be essential to sustaining change. To facilitate this communication, the team invited HR consultant Dave Ulrich to talk at a global leadership summit with 150 senior leaders about the transformation process.

Next, the team cascaded the Flextronics’ message of vision, purpose, desired culture and HR strategy down to the next level of leadership, and then to the next.

Phase 4: Accountability and Sustained Change

Perhaps one of the most important elements of Flextronics’ HR transformation success was the support of McNamara. Additionally, the support and vision of the senior HR team was essential to attain the progress thus far. Given that this transformation was built from the ground up, the HR team also credits consultants and thought leaders who ensured that the company was employing the latest theory and practice in its new design of HR. Ultimately, there had been an adequately balanced responsibility among line managers, HR professionals and external consultants.

Flextronics also worked to connect its HR practices and people to customers and investors, with a keen interest in ensuring that the design is based on its three designated organizational capabilities: leadership, customer connectivity and efficiency. ●

Pfizer: A Journey to Smaller, Better, Faster

Like many HR functions, Pfizer HR is working to transform itself. Pfizer has gone through significant changes in the last several years.

Phase 1: Business Context

Pfizer is the world’s largest pharmaceutical company.

The company grew rapidly through the 1990s through sales of its own products and through acquisitions, capped by the acquisition of Warner-Lambert in 2000 and Pharmacia in 2003. The workforce expanded from a base of around 40,000 to 80,000 in 2000, and to 120,000 in 2003. Today, it is 82,000.

In early 2007, to deliver on its commitments to the business, Pfizer HR had to convert itself from a bloated function with an internal focus to an efficient one with a business and industry focus.

Over the course of 2007, the HR leadership team (HRLT) determined both their functional aspiration and their plan to get there. They determined to become a world-class HR function.

Phase 2: Business Outcomes

The HRLT asked Pfizer’s senior leaders to speak to them about the current and future state of the business.

Through these discussions, the HRLT determined that the new high-end work for HR moves beyond leadership, talent and culture; it is a matter of deciding what work is needed to help lead the business strategy, organizing the business for its best delivery and linking the outputs of the business units across the company to achieve results. The HRLT began positioning HR not as an enabler of business success, but as a driver of it. As this progressed, they began to identify the HR competencies required to do that.

Phase 3: Classify and Organize the Work

The HRLT created several cross-divisional teams to conduct detailed analyses and to surface the many variations they had across divisions and sites. The initial areas of focus were generalist, staffing, learning and development, organizational effectiveness, compensation, benefits, operations, communications, and diversity and inclusion. The initial focus has been on the company’s U.S. operations, which include around 45,000 colleagues in multiple sites and functions. The outcome was pages and pages of worksheets showing what work was done and by whom. A key aspect of this work classification, however, was in determining if each task was “competitive advantage,” “strategic” or “foundational.”

Once they classified the work, the facts of Pfizer’s redundancy became starkly apparent and the opportunities for both efficiency and effectiveness became clear.

To ensure focus on the business and prevent redundancy, they knew they had to have a structure that would make roles clear. The final design was to include three primary kinds of entities: enterprise, business unit, and manager and operational support (MOS).

Summary: HR TRANSFORMATION

Using various competency studies, role profiles were created for the HR and MOS lead positions for each division.

Phase 4: Implementation

In mid-2008, Pfizer began executing the redesign. In this design, Pfizer will achieve a significant reduction in HR headcount, eliminate approximately \$42 million in 2008 expenses through those reductions and through improved project and functional management, while also significantly upgrading the talent base.

At the same time it is redesigning the HR function and implementing a robust process to prioritize its work so that its entrepreneurial and innovative spirit is focused on the short list of outcomes. This list will drive its business priorities — the things it should do — rather than those it could do or would find it convenient to do. ●

Intel: Swinging the Pendulum From Tactical to Strategic

Intel Corp. is the world's largest semiconductor company and the inventor of the microprocessors found in most personal computers. Founded in 1968, Intel has continued to grow through the 2000s, and in recent years has continued its legacy of innovation by building a strategic HR function capable of leveraging the best talent to deliver the most innovative technology.

Phase 1: History and Business Context

For HR, 2001 through the beginning of 2006 were years focused on world-class services, targeting best-in-class quality and impeccable customer satisfaction.

On Sept. 5, 2006, Intel announced plans for a major restructuring, including a reduction of 10,500 jobs. As a result of the restructuring, Intel would generate savings in costs and operating expenses of approximately \$3 billion annually by 2008.

With increased confidence in HR's ability to deliver tactical results, there was now a clear business case for HR to transform from a high performing transactional organization to a highly strategic organization.

Phase 2: Desired Outcomes

As leaders prepared to announce Intel's restructuring, they participated in a series of strategic discussions to determine the critical capabilities Intel would need to grow into the future. An obvious outcome for all their investors was to reduce costs and improve their balance

sheet. To ensure the company would be able to deliver long-term results for all of its stakeholders (investors, customers, employees and communities), they went back to their roots.

Leaders realized that they would need to continue to improve their ability to attract, engage and retain brilliant talent. While Intel had always been a collaborative environment, leaders determined to focus on increasing collaboration and demanding a large degree of initiative in that collaboration.

In addition to the tactical work HR was already delivering well, HR had a new job: to enable capabilities in fast innovation, brilliant talent and proactive collaboration. To do so, Intel's leaders realized that they would need to reduce the cost and complexity of their tactical delivery and begin to develop strategic HR competency among their HR professionals.

Phase 3: HR Redesign

They realized that in their new strategy they not only had to go on delivering HR services well, they had to deliver HR services that enabled proactive collaboration, brilliant talent and fast innovation.

Now, in the new business context, the top-down restructuring and strategic initiatives drove the company's HR transformation strategy. Leaders adjusted their structures and resource allocation to the desired outcomes. They formed a new unified organization with a tri-part structure: a strategic design group, a business channel group and an HR operations group.

With the three key areas outlined, they realigned programs, resources and tasks to the appropriate organization. Additionally, they integrated HR and training resources that had previously reported into Intel business units; conversely, they repatriated finance, IT and other resources that had been reporting with the HR function to their respective organizations.

Phase 4: Implementation and Accountability

Over the last two years, line management supported each wave of HR transformation by evaluating resources against new roles and responsibilities; selecting, deselecting and prioritizing tasks; and communicating and managing change within their groups. As they began their transformation, they developed four key areas of focus and collaboration with line managers: change management discipline, stakeholder management processes, employee communication tools and support, and transition management rigor. ●

Takeda North America: Creating Capability in a Fast-Track Subsidiary

More than two centuries ago, a small medicine shop was opened in Doshomachi, Osaka, Japan, to provide medicines to local merchants and doctors. This was the beginning of the present-day Takeda Pharmaceutical Co., Japan's largest pharmaceutical company. Many generations later, in 1998, Takeda Pharmaceuticals North America, Inc. (TPNA) was created as a wholly owned subsidiary of Takeda Pharmaceutical Co.

Founded to accelerate Takeda's global expansion into the U.S. market, TPNA started with three employees and now employs more than 5,000 people.

Phase 1: Business Context

As with any startup, HR's original responsibility was to simply get the basics right. Given the rapid growth, however, relatively straightforward transactional work such as compensation and benefits suddenly became mission critical as staff grew from a few hundred initial employees to thousands over the course of a few years.

By January 2006, a new HR leadership team was formed and quickly acknowledged that HR needed to move from a traditional transactional HR organization to a strategic, business-oriented organization to support the same rate of growth in the coming years.

Phase 2: Outcomes

The HR team determined to follow a two-phase approach to strategy development. First, they interviewed executives and their management teams from their commercial business and support functions to gather strategy perceptions, perspectives and customer needs. Next, they facilitated an organizational capability audit:

- **Talent:** Audit findings revealed a need for a more diverse set of skills and backgrounds than they had at the time.
- **Accountability:** Business leaders agreed that evolving their performance appraisal and decision-making practices to a higher standard would be a natural and important move.
- **Innovation:** Company leaders realized that to continue to take market share from bigger competitors, they would find success if every employee throughout the organization was good at improving on current processes and developing new cross-functional processes when needed.

Phase 3: HR Redesign

By the time they had completed the interviews and identified their three target organizational capabilities (talent, accountability and innovation), motivation had greatly increased with both the HR team and their business leaders to begin the redesign phase. They determined that transformation for TPNA HR would be a complete system change, involving not only greater partnering with line business leaders, but also making internal changes to better align the HR department with the business strategy. This systemic change affecting the core HR vision and processes translated into a new HR strategy based on delivering organizational capabilities to drive business growth.

Company leaders structured their organization to include a Talent Management center of excellence, an Employee Experience Group designed to absorb operational HR work and a group of HR business partners tasked with enabling strategic execution by line and functional managers.

Phase 4: Accountability and Ongoing Communication

Keeping everyone informed during times of change, especially when changes directly affected individual jobs, was an essential tenet of Takeda's HR transformation process. One of its methods to keep stakeholders involved throughout the process was to build on its initial executive interviews and hold a regular stakeholder meeting with updates on its work, intended next steps, and expectations of roles and responsibilities.

Since it completed its first round of HR transformation, the business has continued to evolve with a significant merger, acquisitions and a global corporate organizational restructure. As a result, HR continues to evolve as the company looks at ways to support the ever-changing business and operate more efficiently. ●

Note: An HR Transformation Toolkit, provided by the authors, can be found at www.TransformationHR.com.

RECOMMENDED READING LIST

If you liked *HR Transformation*, you'll also like:

1. **The Shift** by **Scott M. Davis**. The Shift shows how you can become a part of the new breed of Visionary Marketers that is a successful catalyst for growth and transformation within an organization.
2. **The HR Scorecard** by **Brian E. Becker, Mark A. Huselid and Dave Ulrich**. This summary demonstrates how to measure the ways in which human resources contributes to the company's profits.
3. **The Talent Powered Organization** by **Peter Cheese, Robert J. Thomas and Elizabeth Craig**. Combining strategic insight with proven and practical methods, this book helps human resources professionals find the talent to power an organization to greatness.

· Book 16 of 46 ·

Healing the Wounds



Healing the Wounds

Overcoming the Trauma of Layoffs and Revitalizing Downsized Organizations

THE SUMMARY IN BRIEF

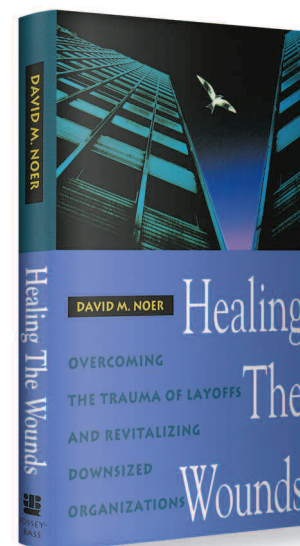
Layoffs make the business pages, even the front pages, of our newspapers nearly every day. Boeing, IBM, AT&T — massive downsizing continues to strike American business. What about those who are left behind? How can workers restore their energy, productivity and risk taking when their trust and loyalty have been stripped away? How can managers initiate healing and motivate employees burdened with twice their usual workload?

In this summary, training expert David M. Noer skillfully brings together the “hard” and “soft” sides of a critical corporate issue to provide practical and profound guidance to professionals in a variety of fields.

This summary provides an antidote to the widespread malaise on the American business scene left in the wake of massive layoffs. Drawing on case studies and original research, David M. Noer — a frequently quoted expert in major media such as *The Wall Street Journal* and *Fortune* — provides executives, human resource professionals, managers and consultants with an original model and clear guidelines for revitalizing downsized organizations.

IN THIS SUMMARY, YOU WILL LEARN:

- How companies that go through layoffs to get lean and mean can end up sad and angry.
- How to meet the challenge of addressing one of the toughest management issues: downsizing.
- How executives and organizations can find real workable solutions to the problem of layoff survivor sickness.
- How to deal with the complex issues of anxiety, fear and sorrow.
- How to effectively downsize while forging productive relationships with surviving workers.



by David M. Noer

CONTENTS

Forgotten Survivors

Page 2

Changing Organizations and the End of Job Security

Page 2

The Survivor Syndrome Across Time

Page 3

The Effects of Long-Term Survivor Sickness

Page 4

A Four-Level Process for Handling Layoffs

Page 5

Leading the New Organization

Page 8

Life After Downsizing: Revitalizing

Page 8

THE COMPLETE SUMMARY: HEALING THE WOUNDS

by David M. Noer

The author: David M. Noer is vice president for training and education at the Center for Creative Leadership. He has consulted extensively both in the United States and abroad and is the author of *Multinational People Management*, *How to Beat the Employment Game* and *Jobkeeping*.

Healing the Wounds: Overcoming the Traumas of Layoffs and Revitalizing Downsized Organizations by David Noer. Copyright © 1993 by John Wiley & Sons, Inc. Summarized by permission of the publisher, John Wiley & Sons, Inc. 248 pages, \$24.95, ISBN 1-55542-708-1. Summary copyright © 2008 by Soundview Executive Book Summaries, www.summary.com, 1-800-SUMMARY, 1-610-558-9495.

PART ONE: THE SHATTERED COVENANT

Forgotten Survivors

It begins with a deep sense of violation. It often ends with angry, sad and depressed employees, consumed with their attempt to hold on to jobs that have become devoid of joy, spontaneity and personal relevancy, and with the organization attempting to thrive in a competitive global environment with a risk-averse, depressed work force. This is no way to lead a life and no way to run an organization.

Layoff Survivor Sickness

Layoff survivor sickness is a generic term that describes a set of attitudes, feelings and perceptions that occur in employees who remain in organizational systems following involuntary employee reductions.

The root cause of layoff survivor sickness is a profound shift in the psychological employment contract that binds individual and organization. The symptoms of layoff survivor sickness are found in pockets in most organizations and are breaking out in epidemic proportions in many. The battle to ward off and eventually develop an immunity to these survivor symptoms must be waged simultaneously by individuals and organizations.

This battle is among the most important struggles that we and our organizations will ever face. Individuals must break the chains of their unhealthy, outdated organizational codependency and recapture their self-esteem; organizations must achieve their potential and thrive in the new world economy. For the organization, holding on to the familiar is not the answer. For the individual, holding on to the job is not always the most healthy option.

Lean and Mean Leads to Sad and Angry

Layoffs are intended to reduce costs and promote an efficient, lean and mean organization. However, what tends to result is a sad and angry organization, populated by depressed survivors. The basic bind is that the process of reducing staff to achieve increased efficiency and productivity often creates conditions that lead to the opposite result — an organization that is risk-averse and less productive. The key variable is the survivors' sense of personal violation. The greater their perception of violation, the greater their susceptibility to survivor sickness.

Denial

One symptom of layoff survivor sickness is a hierarchical denial pattern: The higher a person resides in an organization, the more he or she will be invested in denying the symptoms of the sickness. Understanding and dealing with survivor symptoms requires personal vulnerability and an emotional and spiritual knowledge of the symptoms.

Before individuals or organizations can formulate healing strategies, they need a deep literal and symbolic understanding of the pathology of layoff survivor sickness. ●

Changing Organizations and the End of Job Security

We are in the midst of a fundamental paradigm shift. Both individuals attempting to shake the symptoms of layoff survivor sickness and regain meaning and relevance in their work and organizations struggling to compete in the new global economy need to understand the significance of this basic shift.

Paradigm Shifts

Although it is difficult to see change when we are in the middle of it, there are four organizational yardsticks we



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Rebecca S. Clement, Publisher; Sarah T. Dayton, Editor in Chief; Chris Lauer, Senior Editor; Christine Wright, Graphic Designer

Summary: HEALING THE WOUNDS

can use to measure it. These yardsticks have an old worldview at one end and a new worldview at the other. The changes they measure occur in the assumptions organizations make about the purpose of employees, the long-term versus short-term time orientation of organizations and the optimum operational size of organizations.

Here are four clues of the paradigm shift:

- **From Assets to Costs: The New View of Employees.** Perhaps the clearest evidence of the paradigm shift is that organizations that used to perceive people as long-term assets to be nurtured and developed now see people as short-term costs to be reduced. This basic change represents a fundamental shift in the psychological covenant between the organization and the individual.

- **From Nurturing to Violence: The Symbolism of Layoff Language.** The symbolism of layoff language patterns provides powerful evidence of a paradigm shift. If leaders understand the language of violence literally, they can see that managers who are “taking out” or “terminating” their fellow employees see themselves, at some level, as doing severe harm to others. Consequently these managers experience anger and survivor guilt.

- **From Long Term to Short Term: The Shrinking Planning Horizon.** Another harbinger of the new paradigm is the shrinking time frame that organizations apply to almost everything. Organizations are reducing cycle time, planning time, budgeting time, travel time, development time and significantly, employee tenure time.

- **From Synergistic to Reductionistic: Taking Apart Is Better Than Putting Together.** *Synergy* is an old-paradigm word. Once, organizations added components, built themselves up, developed people for the long term, and a form of magic happened: Two and two came out to more than four. No longer.

The new paradigm is *reductionistic*. The shift in preference is from large to small. In human resources terms, the shift is from long-term employee development to short-term employee fit.

Layoff Survivor Sickness: The Legacy

The reality of the paradigm shift is becoming increasingly clear, and we can only live in one paradigm — we can’t go back. What we can do, what we must do, if we are to revitalize our organizations, is to deal with layoff survivor sickness, the legacy of the demise of the old paradigm and the old employee contract.

Those occupying leadership roles are the key to the survival of organizations and the rekindling of the spirit and creativity of the work force. The new challenge to leaders is much more complex and stressful than operating within the predictability of the old paradigm. Both organizational leaders struggling to compete in a global marketplace and

individuals seeking relevance in a time of change must first learn to let go of the comfort of the predictable past. ●

PART TWO: THE SURVIVOR EXPERIENCE

The Survivor Syndrome Across Time

In the confusion of the post-layoff environment, it is easy for managers to underestimate the severity of survivor symptoms, both in those they manage and in themselves. However, layoff survivors suffer long-lasting symptoms that are in many ways similar to the symptoms of other survivors. An awareness of these similarities not only defines the seriousness of layoff survivor sickness but also stimulates the emotional release and grieving that must take place before organizations and survivors can move forward. A deeper understanding of universal survivor symptoms can unblock organizational denial.

Survivor Linkages

All those involved in layoffs should broaden their cognitive and emotional (head and heart) understanding of the linkages among survivors of trauma. This broad understanding is necessary if managers in particular are to heal themselves and then help others. There are three primary linkages:

- Similar symptoms.
- A common sense of violation and preoccupation with death imagery.
- Blurred distinctions between those who do and those who do not survive, and a shared sense of victimization among victims and victimizers.

Robert Lifton

An illuminating way of viewing the universality of survivorship is through the symbolic lenses of psychiatry. Robert Lifton’s psychological analysis of Hiroshima atomic bomb survivors created a model that can be applied to all survivor situations. The work of other experts gives evidence that a form of survivor guilt exists in layoff situations even though no literal deaths are involved.

Lifton’s cure for survivor sickness involves a process of structuring a new relationship with the world and coming to terms with the permanence of loss. Similarly, the cure for layoff survivor sickness requires that survivors accept the “new reality” and let go of the old paradigm. The cure demands that survivors muster up the courage to break organizational codependency and live organizational life as adventurers, not victims. ●

Summary: HEALING THE WOUNDS

Similarity in Symptoms

After the space shuttle Challenger disaster, the thousands of people who had worked in the shuttle program felt like disaster survivors. Descriptions of the symptoms experienced by these survivors and by layoff survivors at Occidental Petroleum provide an example of survivor symptom similarity.

Shortly after the disaster, observers said that the shuttle survivors experienced “guilt, anxiety and fear,” with the full intensity of these feelings yet to be dealt with because of “denial.” Very similar words were used by human resource consultant Marshall Stelifox when he described the symptoms of “anxiety, distrust, fear and insecurity” among survivors at Occidental Petroleum.

Layoff Survivor Stories

A 1987 field study allows readers to experience the turmoil and anger of survivors. The study took place in a large multinational firm headquartered on the East Coast. At the time of the initial study, the organization was experiencing financial problems and implementing a downsizing that called for significant across-the-board layoffs.

The initial study consisted of two samples: structured interviews of small groups of layoff survivors and individual interviews with human resource professionals involved in layoff administration.

Unexpected Findings

Most of the study findings were consistent with expectations. According to data from other survivor situations and previous research on layoff survivors, intense fear, anger, insecurity, depression and guilt seem to be the core survivor feelings. The perceptions of the layoff survivors in the study were consistent with many of these core feelings.

There were, however, some unexpected results:

- **Few expressions of survivor guilt.** Guilt was not identified as a major theme. Since other researchers believe that feelings of guilt are central to survivorship, the absence of these feelings in the study is notable. One explanation could be that guilt is a difficult human emotion for an individual to own and disclose in a group situation.

- **Expressions of optimism.** Although they also had feelings of uncertainty, stress and reduced motivation, some managers and executives expressed feelings of optimism, perceptions that a tough but needed job had been done and that the organization was back on track toward profitability.

- **Emergence of a layoff-survivor blaming phenomenon.** All groups blamed others. Top executives blamed other executives or the company president.

These feelings were intense across all groups.

- **Thirst for information.** Better, clearer and more consistent information during layoffs was a survivor’s key recommendation.

- **Sense of change.** Survivors in all groups indicated that the layoffs had triggered changes in their relationship to the organization.

These survivors are mirrors of other layoff survivors. Learning the true extent of layoff survivors’ hurt is important for anyone attempting self-transformation or organizational transformation and empowerment. ●

The Effects of Long-Term Survivor Sickness

Time, it would appear, does not heal all wounds. In order to assess the impact of time on layoff survivor symptoms, a second study took place at the same organization five years after the initial effort. This is one of the few attempts to assess the continuity of layoff survivor symptoms over time, and the results are of interest to any individual or organization attempting to escape the debilitating effects of layoff survivor sickness.

Time Does Not Heal All Wounds

One category of employee comments was stress, fatigue, extra workload, decreased motivation, sadness and depression. In this category, one administrative employee said, “I didn’t realize that I was probably suffering from some form of depression, but it was going on, and on, and on. I mean day after day after day, feeling the same way.”

In the insecurity, anxiety and fear category, a professional/ technical employee said, “Five years ago, you felt more secure. You had a future with the company. At the present time, you don’t know whether you are going to be sold out, you are going to be downsized. That’s a big difference.”

In the loyalty to job (not company), nonreciprocal loyalty and self-reliance category, one professional/technical employee commented, “At one time, we kind of felt the company was responsible for your job security and that they would look after you, but I think we all know today that has shifted.”

Other categories of comments from employees included a sense of unfairness and anger over top management pay and severance, resignation and numbness, lack of management communication, helpful and communicative managers, honest communication, short-term plans and strategy, layoff process problems, and resentment over being made to feel guilty.

Summary: HEALING THE WOUNDS

More Tired and Depressed

Layoff survivor symptoms have persevered and evolved over time within the organization. Survivors seem more tired and depressed. They seem to have been ground down by five years of job insecurity and flux. Although they have reduced their reliance on the organization to take care of them and seemed resigned to non-reciprocated loyalty, they are still struggling to understand and accommodate permanent job insecurity.

The data from this study and other survivor studies show that survivor symptoms do not automatically go away on their own. They remain, evolve and often intensify over time. ●

PART THREE: INTERVENTIONS FOR HEALTHY SURVIVAL

A Four-Level Process for Handling Layoffs and Their Effects

Layoff survivor sickness is serious. It is complex and does not lend itself to a simple solution. It contains conflicts of values centered on organizational codependency and self-empowerment. To be cured of it, people must let go of the familiar old and venture into the untested new. Healing layoff survivor sickness is, in the final analysis, an individual effort, requiring great personal courage. Creating organizational systems that will prevent the reoccurrence of this sickness ought to be one of the most fundamental priorities of organizational leaders.

Only compelling interventions can deal with the pathology of layoff survivor sickness. These *interventions* will be powerful acts, attention-grabbing and stimulating forces that compel survivors to choose personal and organizational change.

The Four-Level Intervention Model

Four levels of intervention are needed to deal with layoff survivor sickness:

1. *Process interventions.* Level 1 interventions deal with the process, the way layoffs take place from the survivors' perspective. These interventions do not provide a cure for survivor sickness but keep survivors from sinking further into survivor symptoms.

2. *Grieving interventions.* Level 2 interventions help survivors grieve. These interventions deal with repressed feelings and emotions and provide the opportunity for a catharsis that releases the energy that has been invested in emotional repression.

3. *Interventions that break the chain of organizational codependency.* Level 3 interventions help survivors recapture from

the organization their sense of control and self-esteem.

4. *Systems interventions.* Level 4 interventions create the structural systems and processes that immunize people against survivor sickness.

Although the four-level pyramid is a stage model (Level 1 interventions proceed to Level 2 and so on) and is intended to convey the increasing depth and breadth of each successive intervention, the real world is much more dynamic than any model. The four-level model generally holds true: Process interventions are less complex and deep than those that facilitate grieving; interventions to break organizational codependency are yet deeper and broader than the first two; while interventions that change organizational systems from those that reinforce the old paradigm to those that encourage the new are the most difficult of all. ●

Level One: Manage the Layoff Process

Level 1 interventions affect the layoff processes and their impact on survivors. Although Level 1 interventions occur at the tip of the layoff iceberg, they are tactically important. They keep survivors from sinking too deeply into the quagmire of depression and guilt, keeping these survivors afloat until other, more permanent interventions can be applied to pull them out.

Layoff survivors have an unquenchable thirst for information before, during and after reductions. It is impossible for managers to overcommunicate during layoffs. Layoff planners should *communicate everything that is going on*. Employees are desperately seeking assurance and striving for control over a frightening environment.

Control Traps

Despite the overwhelming evidence that there is a data feeding frenzy at all levels, it is often difficult for managers to stimulate and maintain the free flow of information. Instead, during layoffs, managers often set for themselves *control traps*, barriers that block needed self-insight and authentic communication.

All of us — top executives, middle managers and individual contributors — erect traps to control and manage the information and emotions that should be spontaneous and free-flowing. In order to be relevant to ourselves and our fellow survivors, we need to go against the grain and resist our tendencies to control and deny. We need the courage to engage in straight talk with ourselves and others.

Dealing with survivors' perceptions of fairness, equity and caretaking and permitting prior notification and participation in decision making are other important Level 1 interventions.

Summary: HEALING THE WOUNDS

Process interventions are tactical. Though important, they are hygiene factors that serve only to stop the bleeding; they do not promote healing. Healing itself begins with emotional release, or grieving. ●

Level Two: Facilitate the Necessary Grieving

Level 2 interventions unblock repressed feelings. Even in the best-handled layoffs, survivors feel violated. They must release their feelings before they can go on. Since organizations often have strong norms against employees' even admitting the presence of survivor emotions, let alone sharing and dealing with them, second-level interventions frequently must tease out repressed emotions. While some survivors avail themselves of private therapy and others have support systems that allow them to sort out their feelings, the vast majority of layoff survivors repress their feelings and have no personal or organizationally sanctioned outlet for anger and fear.

Consider Starting With Outsiders

The bad news is that repressed anger and other emotions are so widespread. The good news is that the intervention process is not difficult to start, and once it is started, the feelings do come out. Initially, the organization may have to use outsiders to start the process. In the long term, management should integrate a process for facilitating survivor grieving into the organizational system — experts leave, reductions continue. Although individual counseling and therapy are useful, group work is the most effective and efficient method of bringing survivor emotions to the surface.

Today, most layoff survivors are suppressing strong, toxic and debilitating survivor emotions. Level 2 interventions help survivors express these feelings and get them out on the table so they can be dealt with. Emotional release and the necessary grieving over the layoffs and a lost way of life are prerequisites to healing. Facilitating the release and the grieving is a key management role.

First Help Yourself

In order to help others, organizational leaders must first help themselves. They must confront their own survivor feelings and get past their natural repression and shame. They must discover that it is OK to feel bad, that survivor feelings are a natural consequence of old-paradigm conditioning carried over to the new reality. But it is not right for anyone to avoid dealing with survivor sickness. Repression of survivor symptoms is hazardous to individual and organizational health.

Dealing with repressed survivor feelings and facilitating grieving is not the end of the intervention process. But

the catharsis that occurs during Level 2 interventions is a milestone along the road that will lead to individuals' breaking organizational codependency and becoming self-empowered. ●

Level Three: Break the Codependency Chain and Empower People

The purpose of third-level interventions represents a basic shift in focus from earlier interventions. Levels 1 and 2 react to existing layoff survivor symptoms. Level 3 offers the possibility of preventing the sickness in the first place.

Level 3 interventions are both more complex and more hopeful than Levels 1 and 2. They are complex because, in the final analysis, they are played out within each person's human spirit. They are optimistic because they have the potential to help people move from being victims to being adventurers in control of their own identity, happiness and creative powers.

The field of codependency research and treatment offers both a language and a frame of reference that can help managers and employees understand how to bring about this optimistic transformation.

Organizational Codependency

Third-level interventions help individuals break organizational codependency and lead a self-empowered life. When individuals are self-empowered and have personal control of their self-esteem and sense of relevance, they are immune to layoff survivor sickness.

Codependent behavior is ancient, but the label and the formal concept date only from 1979. The initial, relatively simple idea was that people who deny their feelings, alter their identity and invest a great amount of energy in the attempt to control an alcoholic share the alcoholic's addiction; they are codependent with the alcoholic.

The idea has now been expanded to cover many other forms of addiction, and codependency is considered by some to be an underlying, primary disease in itself. Just as a person can exist in a codependent state with another person in relation to an addiction, a person can also be codependent with an organizational system. People who are organizationally codependent have enabled the system to control their sense of worth and self-esteem at the same time that they invest tremendous energy attempting to control the system.

Vibrant, Open and Productive Organizations

Relationships that are free of unhealthy control and dependency are fun, spontaneous and creative. The same is true of organizations. Organizations that are free of codependency are vibrant, open and productive. They

Summary: HEALING THE WOUNDS

A Symptom of Codependency

A primary symptom of codependency is that the codependent's sense of value and identity is based on pleasing, and often controlling, not himself or herself but someone or something else. Codependents make themselves into permanent victims. People suffering from layoff survivor sickness are similar full-time victims.

are filled with employees who are invested in good work and managers who are competent in helping skills.

Although they, too, may have layoffs, their survivors are largely immune to survivor sickness because the survivors (and those laid off) do not index their self-esteem and sense of personal worth to the organization but rather to their own good work.

Breaking Codependent Relationships

Breaking any codependent relationship is a struggle requiring a personal act of courage. To break the organizational codependency chain, individuals must maintain internal control, keep their personal power and love themselves without making this love conditional on organizational approval. They must maintain their authenticity without obsessively and schizophrenically attempting to both please and control the system. The organizational goal is empowered employees working with minimal control.

Several common codependency treatment strategies can be effectively translated into Level 3 survivor intentions. Those strategies are detachment, letting go and connecting with a core purpose.

We must have the courage to engage in detachment, to stop defining ourselves in relation to our business organizations and to resist the simplicity of putting a taproot into organizational soil. We need to let go, to stop controlling and manipulating the system. Above all, we need to connect with something bigger than ourselves, with a personal core purpose. The result will be a rebirth of spirit, self-control and a work relationship centered on good work as opposed to manipulation and control. ●

Level Four: Build a New Employment Relationship

Level 4 interventions create systems and processes that structurally mitigate layoff survivor sickness. These interventions grow out of the new psychological employment contract.

The old psychological contract was forged in the post-World War II culture, where big was better, relationships were long term and the United States enjoyed a

historically derived competitive advantage. Today, many of the old contract's assumptions and strategies are played out against far different realities. The resulting mismatch leads to conditions that foster layoff survivor sickness.

The shift from the old to the new contract affects all organizational members. No one is to blame for the shift, which is complex and requires both organizational and individual accommodation.

From an Implicit Career Covenant to an Explicit Job Contract

What is beginning to emerge now is a shorter-term and more specific employment contract. The relationship is still win-win, but it is more equal. The employee does not blindly trust the organization with his or her career. The organization does not assume an unassumable burden. The common ground, the meeting point, is not the relationship, but the explicit task.

Elements of Explicit Contractual Relationships

One effective employee-contracting model contains the seven elements that organizations should include in contracts with employees:

- **Task outcomes.** This is a clear, unambiguous statement of the work to be done, along with task benchmarks and key indicators.
- **Agreement duration.** This is the agreed-upon time for the task.
- **Contingency plans.** These are the "what ifs." What if unanticipated changes take place at either the organization or individual level? Contingency plans often lead to the termination provisions.
- **Compensation agreement.** This spells out how the person is to be compensated for his or her work.
- **Development agreement.** The contract spells out the effort the organization will make to develop the employee's skills for the current task or new skills for jobs inside or outside the organization.
- **Termination provisions.** These provisions specify what happens when the contract ends and there is no other work in the organization. It covers what financial and other help will be provided.
- **Renewal options.** These options describe the results that must happen, for both the employee and the organization, before the contract can be renewed.

Level 4 interventions are the supporting and complementary systems changes that will promote the climate that invites individual empowerment and autonomy. These new-paradigm systems changes can foster the individual acts of courage necessary to break organizational codependency.

Those who manage and lead organizations must make the same accommodations to the new reality as those in

Summary: HEALING THE WOUNDS

nonmanagement roles. In addition, top managers have the challenge of keeping the system together during a time of fundamental change. They need the skills, courage and survival sense to take whatever risks are necessary to align organizational systems with the new reality and wrest control away from a paradigm in its death throes. ●

PART FOUR: THE GREAT WAKE-UP CALL

Leading the New Organization

In order to create and sustain organizations that have structural immunity to layoff survivor sickness, leaders must guide these organizations through the messy reality of a paradigm shift. This requires a combination of personal growth and risk taking. Being responsible for major change while experiencing it is not an assignment that many people can take calmly. It is an emotional challenge as well as a leadership challenge.

Culture Busting

Letting go of the old employment contract is not easy. Those who occupy meaning-making roles in the midst of a paradigm shift enter into an adventure in confusion, ambiguity and risk. Although it is sometimes terrifying, it is also sometimes exhilarating, and it is always crucial to the survival of the organization.

For many reasons, line managers find themselves face to face with the paradoxes of the new employment contract with little support. One helpful way for them to visualize their meaning-making role is that it facilitates movement from the comfortable old to the paradoxical and relevant new. This movement can be broken down into six specific shifts that the manager needs to bring about:

- From motivational strategies that promote dependence to strategies that promote independence.
- From the yearning for belonging to the necessity for autonomy.
- From the organization as an employee's primary social system to employment as an economic relationship.
- From the leader as a savior to the leader as helper.
- From the desire for permanence to the reality of transience.
- From the leader as a purveyor of objective reality to the leader as a maker of meaning.

Meaning-Making Leaders

Leaders must make meaning in a time of profound change. They must stimulate the necessary culture busting. They must master new or neglected competencies such as transition facilitation, visioning, value congruence, empowerment, self-understanding and process wisdom. Leaders do not acquire these relevant skills in traditional management development programs or busi-

ness schools; yet these skills are the most important capabilities leaders bring to the new paradigm.

No one has yet designed a core curriculum to teach leaders the functional skills necessary to manage a complex business and, in addition, teach leaders to be authentic, congruent, self-aware, process-wise, other-centered and facilitative in the midst of major cultural change. As a precondition to acquiring these needed relevancy skills, leaders must have a strongly developed set of democratic values and possess the courage to understand their own needs and agendas. The arenas in which these skills are cultivated include intrapersonal understanding (self-awareness); interpersonal competence (helping and empathy); and a continuous self-improvement (honing one's own mind and feelings as the primary instruments of leadership). ●

Life After Downsizing: Revitalizing

The shock of violated dependency is a clear and compelling wake-up call, an alarm that, if heeded, could do more to stimulate a truly empowered and autonomous work force than all the theories, false starts and hollow rhetoric of the past.

The gift to us of the wake-up call is that it helps us frame our choices. Few of us will have had the opportunity to wrest our autonomy from our organizational affiliation during the height of the old paradigm; we were too much in the paradigm to see it. Now, many layoff survivors have the opportunity to make a real choice, and that may be a once-in-a-lifetime gift. Breaking organizational codependency and taking responsibility for our own work is our ultimate existential challenge.

It is a tenet of existential philosophy that as we move away from an artificial dependence we are moving toward our essential nature, which is freedom. Accepting this natural state of freedom after years of dependence is not easy.

Make a Choice

Nevertheless, making the choice to immunize ourselves to layoff survivor sickness by breaking organizational codependency is an affirming act — something we do, not something we abstract. We have the opportunity to make a choice.

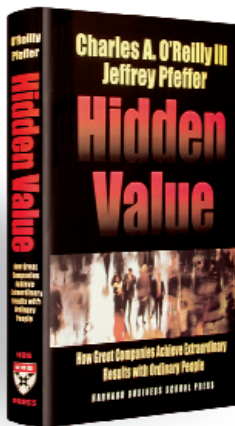
If we claim our independence and shed the manipulation and control of organizational codependency, we embark upon an existential voyage of discovery. We will never reach the end of this voyage; it is another tenet of existential philosophy that we are always in the process of becoming, never being. But what a voyage it is, filled with self-esteem, relevance and pride of contribution fueled by good work and unmarred by manipulation or futile attempts to control the uncontrollable! ●

· Book 17 of 46 ·

Hidden Value

Charles A. O'Reilly III and Jeffrey Pfeffer

SOUNDVIEW Executive Book Summaries®

FILE: PERSONNEL/
HUMAN RELATIONS

By Charles A. O'Reilly III and
Jeffrey Pfeffer

CONTENTS

What People-Centered Companies Do

Page 2

Place Values and Culture First

Pages 2, 3

Make Values Real

Page 4

Hire for Fit

Page 5

Invest in People

Pages 5, 6

Share Information

Pages 6, 7

Reward and Recognize Adherence to Values

Pages 7, 8

Take Organizational Action

Page 8

How Great Companies Achieve Extraordinary Results with Ordinary People

HIDDEN VALUE

THE SUMMARY IN BRIEF

In its famous study, “The War for Talent,” consulting giant McKinsey & Company asked 200 executives from a number of companies why they joined, stayed with or left an organization. McKinsey found that 58 percent of its respondents cited values and culture as being absolutely essential.

While McKinsey used its study to build a case for finding superior talent as a prime source of competitive advantage, Charles A. O'Reilly III and Jeffrey Pfeffer see things a bit differently. Certainly, companies that want to succeed need great people — making recruitment and retention important. But even more important, and often more difficult to obtain, is the establishment of cultures and systems in which these great people can actually use their talents, as well as management practices that make it possible for ordinary people to perform as if they were in the top 10 percent of their field.

According to the authors, companies must find new ways to engage the knowledge, experience, talents and energy of employees — to find the *hidden value* in organizations and leverage that value to achieve strategic goals. As they studied a number of companies that successfully leveraged their hidden value, the authors found six essential practices that all have in common:

✓ **They place values and culture first**, creating a set of principles or standards that define the company, then communicating those principles and their importance to employees.

✓ **They make those values real**, through consistent expression of those values and alignment with the practices that put those values into action.

✓ **They hire for fit**, bringing on board people who will appreciate and espouse their values, and weeding out those who won't fit in.

✓ **They invest in people**, providing the training and tools necessary for continuous learning and improvement.

✓ **They share information widely**, giving employees all the data they need to successfully achieve company goals.

✓ **They reward and recognize adherence to values**, from the everyday environmental perks to benefits and compensation that reinforce their organizational commitment to its culture.

Are you doing the things that unlock the hidden value in your organization? Turn the page to find out ...



HIDDEN VALUE

by Charles A. O'Reilly III and Jeffrey Pfeffer

— THE COMPLETE SUMMARY

What People-Centered Companies Do

People-centered companies find long-term success in highly competitive industries without having any of the usual overt sources of sustainable competitive advantage (such as barriers to entry or sources of market power). They do so not by winning “the war for talent,” but by fully unleashing the talent and unlocking the motivation of the people they already have (thus the term “people-centered”). Underlying the oft-used cliché, “people are our most important asset,” is a deeper truth — to the extent that any organization that can truly unleash the hidden value of its people will increase its chances for success.

This is particularly true in today's corporate environments and global market, where intellectual capital and knowledge have become increasingly valuable to companies as revenue-builders and sources of competitive advantage. Most organizations cannot capture this value; the companies listed in this book have, and have done so consistently.

Three Themes

What explains the success of people-centered organizations? These companies' competitors find it increasingly frustrating to try to keep up with them, because their secret cannot be imitated without extensive changes being made to the competitor's organizational structure and overarching corporate culture and philosophy.

That said, there is not any one correct answer or any single mystery to solve in developing such extraordinary success. While each successful people-centered organization is intrinsically different in the ways it develops and taps the potential of its people, there are three common themes:

- **Each has a well-articulated set of values that are widely shared and act as the foundation for its management practices, outlined below.** These practices build the core capabilities that, in turn, provide a basis for the company's competitive success.
- **Each has a remarkable degree of alignment and consistency in the people-centered practices that express its core values.**
- **Each has senior management (not just founders or executives) whose primary roles are to ensure**

that the values are maintained and constantly made real to all the people who work in the organization.

Management Practices

There are six management practices that are essential to finding and leveraging the hidden value in an organization. Truly people-centered companies:

- **Place values and culture first.**
- **Make those values real through alignment and consistency.**
- **Hire for fit.**
- **Invest in people.**
- **Share information.**
- **Reward and recognize adherence to values.**

Each of these practices is examined in the remaining pages of this summary. ■

Place Values and Culture First

The most visible characteristics that differentiate extraordinary companies from ordinary ones are their values — and the fact that those values come first, even before stock price. Most organizations purport to have values, usually expressed in a mission or vision statement and handed out on 3-by-5-inch laminated cards, to be taken everywhere. However, these are often mere slogans, offering no real advantage and inviting cynicism from a skeptical work force.

(continued on page 3)

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Place Values and Culture First

(continued from page 2)

True company values are typically defined as a set of beliefs about what is worthwhile to a corporation: the principles or standards that it feels are important and that define, in essence, what employees should pay attention to. For a person to succeed in an organization, they discover what's important to that firm by: looking carefully at the activities or behaviors that are rewarded; observing how people get ahead and who gets promoted; and watching and listening to what senior managers do and how they spend their time.

True Values Revealed

Unfortunately, employees often find discrepancies in what senior managers say and what they do, revealing the true underlying values of a company (usually things like, “follow orders,” “please your boss,” “don’t take risks” and “results count; people don’t”). These things can only be hidden for so long, if indeed they are hidden at all; regardless of what the mission statement or senior management says, employees will eventually come to understand what the company’s real values are.

As a result, employees behave in accordance with these values:

- **Employees are not likely to exert much effort beyond for what they are explicitly rewarded; the “show me the money” mood prevails.**
- **Employees are constantly on the lookout for new and better job opportunities in other organizations; loyalty is for fools.**
- **Unless cooperation is explicitly monitored and rewarded, teamwork is viewed as optional.**

The cycle is never-ending. In order to resolve problems brought on by employee behavior (performed in reaction to the “true” corporate culture), management creates and employs ever more sophisticated control and incentive systems to ensure that necessary teamwork occurs and that loss of intellectual capital (as a result of employee defections) is minimized.

The Humanistic Value System of AES

Contrast the norm described above with the way in which values and the cultures they imply are handled at AES Corporation, a power generation company operating more than 110 plants in 19 countries. With 10,000 people in its employ, all speaking different languages and without common history or tradition, AES has been extraordinarily successful at implementing a humanistic value system and a management scheme based on trust.

It is the company’s value system that has made it successful. In its 1998 annual report, AES defined its four

core corporate values:

integrity, fairness, social responsibility and fun. It is the last value — fun — that has gotten the greatest amount of attention. AES management defines fun as “establishing an environment in which people can use their gifts and skills to make a difference in society without fear of being squelched.”

AES backs its words with a commitment to its employees; people are given interesting things to do, decisions to make, challenges to meet and many opportunities to learn and try different things. AES readily trades the gains from specialization — having people do the same repetitive tasks, ad infinitum — for the interest and enthusiasm generated when people get to take on new, challenging assignments.

AES’ four corporate values are so strongly held that some outside the walls of the corporation see them as a liability. The Securities and Exchange Commission requires the company to

list its adherence to values as a possible risk factor when it offers stock to the public. The following statement must accompany each public offering:

“An important element of AES is its commitment to four major ‘shared’ values. ... [If] the Company perceives a conflict between these values and profits, the Company will try to adhere to its values — even though doing so might result in diminished profits or forgone opportunities. Moreover, the Company seeks to adhere to these values not as a means to achieve economic success, but because adherence is a worthwhile goal in and of itself.”

Most employees and managers at AES find it amusing, if not incredible, that adherence to company values would be listed as a risk factor. They wear that “risk” as a badge of honor. ■

“My own choice for the reason corporations do and should exist — their ultimate purpose — is to steward resources to meet the needs of the world. Don’t get me wrong — profits are an important aspect of a successful business. They provide compensation to shareholders for their equity capital, as well as provide an objective measurement of a company’s ability to steward its resources. This is an integral part of any successful business, but it is not the primary reason a business exists.”

**Dennis Bakke,
CEO, AES**

Make Values Real

A strong set of corporate values is crucial to the success of extraordinary organizations. In and of themselves, however, they are virtually worthless; to make values real, the following must happen:

● **Senior management must believe in those values and act consistently in accordance with them.** If man-

agement says one thing and does another, employees will become quickly skeptical and reluctant to act upon those corporate values — regardless of how attractive they might seem.

● **There must be consistency between the organization's values and the practices that express these values.**

While the extraordinary organizations referenced throughout this summary are all quite different, each relies on the same six essential practices to reinforce its values. When aligned with each other and properly used, these six practices communicate the importance of values and are consistent with each other. When misaligned, they undermine

"I learned a long time ago that in team sports or in business, a group working together can always defeat a team of individuals. Even if the individuals by themselves are each better than your team.

If you're going to empower people and you don't have teamwork, you're dead."

**John Chambers,
CEO, Cisco Systems**

those values, as well as the credibility of the people espousing the values.

Social Control Systems

Values also feed into powerful social control systems, acting as the basis for shared expectations about appropriate attitudes and behaviors. A people-centered company demonstrates a clear and consistent alignment of its values, the norms that express those values (the culture of the company) and the specific attitudes and behaviors that create the company's core capabilities. At AES, for example, the core value of "fun" helps establish an environment in which employees can use their gifts and skills to make a difference without the fear of being put down or reprimanded.

Truly people-centered firms have strong cultures that provide explicit norms; people understand exactly what attitudes and behaviors are expected, as well as what attitudes and behaviors will not be tolerated. ■

Cisco: Winning with Culture

Cisco Systems is not your average Silicon Valley company. Aside from its extraordinary financial success (it reached a market capitalization of \$100 billion in 12 years — faster than Microsoft), the company manages its 26,000 employees with remarkable deftness. Its secret: a culture that eschews technology as "religion" and places people — both employees and customers — in the center of its strategies.

- ✓ **Customer satisfaction drives the entire organization.** CEO John Chambers personally reviews as many as 15 critical accounts every day, often calling customers himself to handle complaints and straighten out problems. He leads by example; because someone at his level — the very pinnacle of the company hierarchy — pays attention to detailed customer issues, employees at every level are expected to do the same. This is one essential reason that Cisco maintains an 85 percent customer satisfaction rating.
- ✓ **Employees are encouraged to think and respond to problems and negative circumstances in ways that are consistent with the company's values — taking risks and finding new ways to achieve strategic objectives.** Such innovation is a requirement for success, even if it often results in failure. Cisco strongly encourages its employees to learn from failures brought about by their outside-the-box thinking. As Chambers says, "It's more important to do and make mistakes than to sit back and wait to get permission."
- ✓ **Openness is also the rule, with employees encouraged to challenge the status quo.** One example of this is the monthly "birthday breakfast" meetings Chambers holds for anyone with a recent birthday. At this meeting he answers every question put to him, regardless of how tough the question. To ensure the exchange will be open and honest, vice presidents and directors are strongly encouraged not to attend.
- ✓ **Cisco is also known for its frugality, in "doing more with less."** No one flies first class. There is no executive dining room. Executives brag openly about how much less their buildings cost to operate than others in Silicon Valley.

Hire for Fit

Once a company's values and culture are clear, it then designs processes that help it identify the people who will best fit into the organization, and to screen out those who do not share their values. This often means vetting candidates with a list of needs that is balanced between skills and chemistry. These companies recognize that employees must feel comfortable in an organization in order to contribute to the achievement of its long-term goals.

Thus, organizations are likely to seek candidates who are willing to learn and try new things, who are versed in teamwork, who are willing to accept responsibility — abilities that help people grow, change and develop in order to meet new business challenges.

Make Expectations Clear

To hire for cultural fit, companies must begin with an explicit set of values, then screen people against those values. They must take sufficient time to show candidates exactly what would be expected of them and give them opportunity to bow out if they do not feel it is a good fit with their needs and ambitions.

The best people-centered organizations also allow employees to drive the recruiting process, since it is they who know the job best and can accurately convey to candidates exactly what expectations are required to succeed.

New United Motor Manufacturing, Inc. (or NUMMI) is one of the most efficient automotive assemblers in the United States, a designation it holds as a result not of technological advancements, but of solid corporate values and culture, and a commitment to unleashing the

power of the work force. The company is able to hire great workers in part because it is able to successfully weed out those who would not fit into that culture.

Before being hired, each hourly applicant goes through a three-day assessment that includes production simulations, individual and group discussions and written tests and interviews. Evaluations (conducted by team leaders) concentrate on the applicant's ability to follow instructions quickly and safely, and to act in a team environment. ■

Invest in People

Having performed the appropriate screening for employees who fit the culture and values of the organization, people-centered companies then signal clearly to their employees the importance that is placed on each and every one of them.

NUMMI, for example, has a no-layoff policy, one initiated by Toyota (which runs NUMMI as a joint venture with General Motors), as a first step in establishing a culture of fairness, trust and mutual respect. The policy stipulates that no one will be laid off unless the long-term viability of the company is threatened. The company will drop outside contract work and give its top 65 executives pay cuts before even one line worker is laid off.

Rather than laying people off during slow periods, the company will lower line speed and retrain workers in the basics of production, teamwork, problem solving and statistical quality control techniques. This train-rather-than-lay-off strategy is appreciated by NUMMI workers; one survey showed that more than 80 percent of NUMMI employees feel that job security is the most important aspect of

“I believe an organization that is authentically built on servant leadership, where people are not just trying to acquire for themselves, and where they see cooperative effort that is all around them, ends up affecting things in very metaphysical ways. When people feel connected to something with a purpose greater than themselves, it inspires people to reach for levels they might not otherwise attain. Our business is based on human potential.

**George Zimmer,
CEO,
The Men's Wearhouse**

Making Friends at Cisco

Cisco's John Chambers justifies his company's commitment to recruitment this way: “If you are selecting a partner for life, your ability to select the partner after one date isn't very good.” Job-seeking candidates go through a minimum of five interviews up and down the organizational structure before the company makes the decision to hire.

Where Cisco stands apart from other organizations is in its “Friends Program.” Visitors to the Cisco recruitment Web site (which receives a half-million hits per month) can click the “Make Friends @ Cisco” button. Within 24 hours, a Cisco volunteer will contact the job-seeker to talk about life at Cisco, answer any questions, and (if the job-seeker is still interested) to help arrange a visit to Cisco. According to Chambers, 60 percent of the people who join Cisco join because they have a “friend” there.

(continued on page 6)

Going to School at The Men's Wearhouse

One of the reasons The Men's Wearhouse has become the nation's leading retailer of off-price tailored men's clothing (with sales over \$1 billion) is the investment the organization makes in keeping its culture vital and its people energized. Throughout the year, the company organizes events for training and culture maintenance across multiple levels of leadership, all the way down to its associates (or wardrobe consultants):

- ✓ **In February, the company has a three-day meeting of managers, buyers and senior executives in The Men's Wearhouse "spiritual home" of Pajaro Dunes (a resort in northern California).** CEO Charlie Bresler describes it as "a three-day combination of training, spiritual renewal, parties, lots of sports ... a wild three days with a lot of training thrown in."
- ✓ **In March or April, the company's "Suits University" training calendar starts up, and wardrobe consultants from all over the country are brought to Fremont, Calif., to engage in sales training and socialization into the corporate culture.**
- ✓ **Out in The Men's Wearhouse's markets, "Suits High" (a sales introduction and preparation for "Suits University") and "Sales Associate University" (a training session for cashiers) are also held throughout the year.**
- ✓ **Throughout the summer, the company conducts manager meetings in up to five locations in its markets.** Managers, assistant managers and wardrobe consultants are flown to the nearest location for additional training.
- ✓ **In September, another multi-unit manager meeting is held in Pajaro Dunes for all district and regional managers and store operations executives.** The same group meets again for additional training in preparation for the fourth quarter.

The most amazing thing about this wealth of training opportunities is that The Men's Wearhouse operates without a training budget — it spends whatever company leaders think is necessary. In addition to imparting selling skills as well as product and market knowledge, these meetings and training sessions do one other important thing: They signal to people that the company takes them seriously and is interested in their development.

Invest in People

(continued from page 5)

working at the company.

Companies also demonstrate the value they place on employees by making continued investments in employee development and career growth. Take these examples:

- **New orientation at Southwest Airlines begins with a celebration to welcome new employees as members of the team.** The company hires people not for a single job, but with a sequence of jobs in mind, investing in continued development through 80 hours of mandatory training each employee must have annually.
- **New associates at The Men's Wearhouse are treated to a trip to northern California for skills training and socialization [see sidebar].**
- **New employees at Cisco barely have time to sit down, as they are immediately given training in the Cisco way, followed by continued offers to update their skills.**

As we see above, the investment companies make in training does not have to be in skills training; often, people-centered companies orient the training explicitly toward socialization to their culture. By doing so, they convey the message to all levels of employees that each one of them matters, not just as a number, but as a person — and that the company is committed to them over the long haul. ■

Share Information

In many companies, operational and financial data are not shared with employees — this is viewed as somehow risking the security of the firm or compromising important competitive information.

People-centered companies, on the other hand, see this information as vital to the work of their employees. They assume that if employees' intellectual capital is really to be used, they must understand in detail how the firm is doing and what it is trying to do. This open attitude leads to extensive sharing of information across all levels of an organization.

Open Books at Southwest and PSS

At Southwest Airlines, for example, all employees have access to critical information, including figures on turnaround times, on-time performance, lost bags and other customer service concerns. It is easy to see that Southwest's management considers its people to be trustworthy and smart — people with the ability and desire to use company information to the benefit of their

(continued on page 7)

Share Information

(continued from page 6)

customers and organization.

PSS World Medical is another example of how open books can mean more efficient business. The \$2 billion medical supply distributor has maintained an “open-book” policy since a financial crisis in the company’s early days led it to sell stock to employees. Since the employees own the company, its books are open and all manner of information is shared with them.

Patrick Kelly, CEO at PSS, knows that to get people to act like CEOs and rise to the occasion, they must see and understand all company-specific information. They can then see where they fit in and how their efforts con-

tribute to the greater whole. This knowledge empowers employees — an empowerment that manifests itself in interesting and creative ways (see box below).

A Question of Trust

Regardless of whether they intend to do so, most companies with need-to-know information policies send a negative message to their employees that they aren’t smart enough or reliable enough to be trusted with that information. Whether they fear disclosure or simply have a general distrust of their employees, companies with these kinds of policies hinder employees from contributing to the full extent of their capabilities.

Contrast this with truly people-centered companies, whose open-book policies arm their people with the information they need to make real, sustained contributions over the long term. ■

“Businesspeople don’t like to talk about values, but without these, all business is about is making money. To me, achieving business goals is great. But no business goal is worth sacrificing your values. If you have to treat people poorly, or cut corners in your dealings with customers, forget it.”

**Patrick Kelly, CEO,
PSS World Medical**

Firing the Bosses at PSS

One interesting outgrowth of PSS World Medical’s people-centered culture is the empowerment employees are given and the way that empowerment manifests itself. In fact, the idea of empowerment is taken so seriously, people can actually fire bosses who don’t perform up to expected standards.

The process begins when someone calls one of the company’s officers and informs that executive that the work group is unhappy with its leader.

At that point, one of the organization’s senior executives will go to the facility in question and meet with the entire team, without the leader present. After some open discussion, the leader is brought in and the matter is discussed openly, with the senior executive facilitating discussion and, in most cases, achieving some semblance of understanding that allows the work process to move forward again.

According to CEO Patrick Kelly, 80 percent of the time, bosses will not get fired by their people — the process simply opens further communication and lets work proceed. The company has, however, “fired” some bosses, usually by repositioning them in a lower capacity, somewhere in the company — a soft landing that allows them to re-energize and improve their performance. In fact, most of the people in senior officer positions at PSS have been repositioned back, but have improved and moved ahead to very successful careers as officers.

Regardless of the outcome, no sanctions are ever imposed against the people who raise the issue. Those people are actually praised publicly by the company’s senior leadership for getting problems and concerns out in the open.

Reward and Recognize Adherence to Values

People-centered organizations must carefully align their reward systems to their values. This doesn’t always mean emphasizing money to motivate employees. In fact, money is often a minimal factor in the reward systems of these companies; recognizing that money is a powerful driver of behavior, they are careful in how they use it in their incentive systems.

Instead of focusing on money, great people-centered companies emphasize the intrinsic rewards of fun, challenge, teamwork and growth. They provide opportunities for employees to feel good about their accomplishments, and find interesting and motivating ways to express the company’s appreciation for employee accomplishments and efforts.

The Perks at SAS

You can’t show much more appreciation for employees than The SAS Institute. The \$1 billion, privately held software company has been described as “the

(continued on page 8)

Reward and Recognize Adherence to Values

(continued from page 7)

world's sanest company" for the way it treats its employees, both in its working environment and its methods of compensation.

In a business noted for long hours, little company loyalty, high turnover and outrageous pay practices, SAS stands out by offering these and other value-driven environmental perks:

- **Reduced work hours.** Everyone at SAS, from code writers to executives, works a 35-hour workweek: 9 a.m. to 5 p.m., Monday through Friday, with an hour off each day for lunch and/or exercise. The company's management feels that people perform more effectively when they are alert (in the office) and have a life (outside the office). David Russo, longtime head of human resources at SAS, once noted that if you shot off a shotgun in the parking lot at 7 a.m., you wouldn't hit anything — a far cry from other software makers, where 18-hour work-days are the norm.
- **An on-site medical facility, staffed by six nurse practitioners, two family practice physicians, a physical therapist, a massage therapist and a mental health nurse.** SAS recognizes that time spent obtaining medical care can't be used on work — thus there is never more than a five-minute wait if you have an appointment. The facility is free to employees and their families, but there is a small co-payment for the massage therapist.
- **The company offers a full indemnity health plan, with a \$100 deductible per person, \$350 per family, and full cost coverage for many things.** The plan includes vision care, dental plan, free physicals, free mammography and other benefits. Even with all these offerings, the company's health care costs are \$1,000 per employee below the average health care costs for plans that aren't as rich as theirs.
- **SAS provides on-site Montessori day care, with a staff-to-child ratio of one-to-three.**
- **The company has a fitness center that includes aerobics, basketball courts, yoga rooms and workout areas segregated by gender.**
- **SAS also provides snack facilities (eating areas and small refrigerators) throughout its headquarters.** The company is noted for its consumption of M&Ms — it uses 22.5 tons of the candy every year.

SAS's compensation practices also venture far from the industry norm. It provides none of its employees

with stock options or other similar share-based compensation. It does contribute the maximum allowed by Internal Revenue Service regulations (15 percent) to employees' 401(k) retirement programs. This is not a matching contribution — employees do not have to contribute anything. Base salaries are competitive with the industry and are adjusted annually, although some employees have taken pay cuts to work at SAS because they value the environment so highly. ■

Take Organizational Action

It's one thing to read about how other companies have turned people-centered values and practices into successes. It's another thing altogether to put that understanding to work for you, to turn comprehension into strategies that help sustain and build your culture, transforming your own insights into action.

Here are some suggestions:

Recognize that this is a process, not the final answer. Throughout this summary, you can see how even the most successful people-centered companies have stressed continuous improvement through trial and error learning, out-of-the-box thinking and employee empowerment. AES, for example, has refused to have a book written about it because the company believes it is on a journey that is not yet complete, and all the answers aren't in yet. Learning by doing and continually learning and trying new things are important components of any implementation effort in any company.

Involve as many people as possible in the process. This doesn't mean embroiling your people in endless committee meetings and planning sessions, or drowning them in red tape or endless memoranda. It does mean that if you intend on tapping their intellectual capital and leveraging their talents toward the fulfillment of your organization's goals, you must tell your people what you are going to do and why.

Involvement doesn't stop with planning discussions. It means giving people real responsibility to do things that grow outward from the management practices that are essential to finding and leveraging the hidden value in your organization.

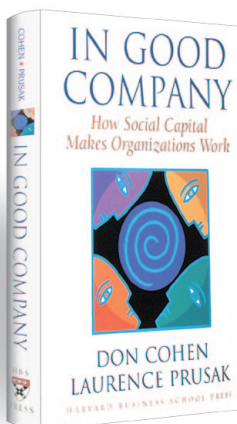
Emphasize real events. Don't let talk substitute for action — what your organization does is much more important than what it says. Whether you hold open question-and-answer sessions with employees, conduct values surveys, provide your people with special benefits or offer any number of other opportunities or amenities, you must provide tangible reminders of what your company is about, how it operates and what it stands for. ■

· Book 18 of 46 ·

In Good Company

Don Cohen and Laurence Prusak

SOUNDVIEW Executive Book Summaries®

FILE: PERSONNEL/
HUMAN RELATIONS

by Don Cohen and
Laurence Prusak

How Social Capital Makes Organizations Work

IN GOOD COMPANY

THE SUMMARY IN BRIEF

Knowledge has always resided in organizations, but it wasn't until the Information Age put a premium on ideas that intellectual capital was recognized as a critical resource. Now, forces like technology, globalization and the rise of free agency and the virtual work place are bringing another form of "hidden capital" to the forefront. That resource is social capital. In this summary, you will learn how to build the human connections that make up social capital, such as trust, networks and a sense of community. You will learn to:

✓ **Recognize social capital for what it is and what it is not.** You will see how to build a sense of commitment and community among members of your organization by letting them engage in activities that connect people. These activities include regular access to one another in ways that allow people to connect and form deep relationships.

✓ **Develop a sense of trust in one another and the organization.** People who don't trust one another or the company they work for will not be productive, loyal or cooperative. But trust often requires a leap of faith. You will see how organizations can earn the trust of workers and receive it in return.

✓ **Allow networks and communities to develop naturally.** You will see why you must provide money, space and permission for workers to build networks and communities.

✓ **Encourage talk and storytelling.** People learn more from the telling of a story that illustrates the way things are done in an organization than from reading the employee manual mission statement. Storytelling is an integral part of connecting people to the values of a company and setting behavioral standards.

✓ **Meet the challenge of an increasingly virtual world.** Social capital can only thrive in an organization that allows time for face-to-face interaction. Distance technology cannot replace contact. You will learn how to balance the need for contact with the appropriate use of technology.



CONTENTS

Why Social Capital Is Important to Your Company

Pages 2, 3

Trust: The Starting Point Of Social Capital

Pages 3, 4

Networks: Where Social Capital Is Strongest

Pages 4, 5

Give Employees Space And Time to Connect

Pages 5, 6

Social Talk and Storytelling: The Voice Of Social Capital

Pages 6, 7

The Challenge Of Volatility

Pages 7, 8

The Challenge Of Virtuality

Page 8

— THE COMPLETE SUMMARY

Why Social Capital Is Important to Your Company

Social capital is defined as “the stock of active connections among people: the trust, mutual understanding and shared values and behaviors that bind the members of human networks and communities and makes cooperative action possible.” Social capital makes an organization more than a collection of individuals intent on achieving their own private purposes. It bridges the space between people.

Despite the recent hype over workers engaged in “free agency” and the idea of “companies of one,” humans have a need for membership and identification, the satisfaction gained from recognition by peers and the pleasure of giving as well as getting help. Other popular theories of management that focus on processes and technology leave out the essential connections among people without which purposeful cooperation won’t happen. That’s why some organizations have talented people, sensible and efficient processes and the best technology money can buy, but still perform poorly, hampered by suspicion, rivalry and rapid turnover. What’s missing is an understanding of the dynamics of social capital.

What Social Capital Is Not

Social capital is not about everyone in an organization liking and accepting one another; it is not about being “nice.” Nor is social capital about employees sharing details of their personal lives, erasing the line between work and home. That kind of coerced intimacy is as likely to damage trust and connection as it is to build it. Nor is social capital enhanced by paying lip service to equity and respect. Calling everyone in the organization an “associate” while the decision-making remains at the top merely breeds cynicism. Since social capital is about trust, relationship and commitment, it thrives on authenticity. Hypocrisy kills it.

Weekend team adventures, company picnics and similar one-shot bonding activities don’t build social capital, either. They are ineffective because they are brief and occur outside the context of daily work. They are particularly destructive when they inadvertently highlight the distance between the togetherness activity and the firm’s real character.

The Erosion of Social Capital

Organizations today face constant external and internal change. Companies must attract and retain workers whose talents are often in short supply and high demand and who may be wooed away by competitors in a talent war. To survive, they frequently must undertake major internal change to respond to and anticipate environmental shifts. Partnerships, mergers, acquisitions and changes in products and focus lead to rapid change. Change can erode social capital, especially when changes involve reorganizations or downsizing.

Just as investment in other tangible capital produces returns, so does an organization’s investment in its social capital. It exists in every organization, but in widely varying amounts. It can be depleted or enhanced, squandered or invested in. Social capital can benefit companies by:

- creating an environment where knowledge sharing happens because relationships are built on trust, common frames of reference and shared goals;
- lowering transaction costs thanks to trust and a cooperative spirit;
- reducing turnover rates, resulting in reduced severance costs and hiring and training expenses;
- creating greater coherence due to organizational stability.

The Age of Interdependence

We are long past the time when one individual can know virtually everything worth knowing. We are even past the point where one person can know everything

(continued on page 3)

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Why Social Capital Is Important To Your Company

(continued from page 2)

about how to do his or her own job well. Thus, belonging to the networks that can coordinate and enhance our limited knowledge has become essential. In the sciences as well as in the corporate world, individual genius, though not extinct, has become rarer than ever. This is the age of interdependence.

In many endeavors, collaborations involving numerous people in multiple locations has become unquestionably necessary. We no longer operate with industries that produce goods by repeatedly carrying out the same standard, well-defined tasks. Instead, today's service-based industries are knowledge-intensive organizations. Treating people like cogs in a machine only works when you want them to do machine-like work. Today, work requires workers to be responsive, inventive and cooperative.

Perhaps no better, recent example of the power of social capital exists than the story of Malden Mills. In December 1995, the Malden Mills factory in Lawrence, Mass., was destroyed by fire. The factory had produced the company's polar fleece fabric. The fire left 3,000 workers with nothing to do. CEO Aaron Feuerstein announced that he would continue to pay the workers their full salary while the factory was rebuilt.

The public and business world were shocked at the apparently "unbusinesslike" action. But those who understood the value of social capital were not. The decision in fact made good business sense. He held on to a work force that had proven its reliability and skill. By being loyal to that work force, he ensured an even greater commitment on their part to doing good work for the company. It is no accident that the company has a retention rate of more than 95 percent and an excellent reputation for producing quality products. Feuerstein made an investment in social capital. ■

Trust: The Starting Point Of Social Capital

Almost 80 percent of the diamonds that come into the United States pass through the hands of the diamond merchants on 47th Street in Manhattan. Very little paperwork accompanies the buying and selling of huge fortunes in diamonds. Prices are agreed on verbally; a handshake alone seals the deal. The merchants' willingness to trust one another makes their business efficient. Unencumbered by paperwork, they are free of the related burdens that slow and complicate exchanges governed by written contracts.

Trust and Higher Purpose

A powerful sense of higher organizational purpose can sometimes foster trust. A sense of duty, patriotism or idealism can help generate trust as well as commitment. People tend to trust organizations that have a calling beyond pure profitability, and they are more likely to trust colleagues who share their commitment to an important goal.

Almost all of the several hundred merchants working in the diamond district belong to a close-knit orthodox Jewish community; their personal lives and work lives are closely intertwined. Being part of a close knit community makes the penalties for betraying trust particularly severe. A dishonest dealer would not only be banished from the trading community, but from his social network as well.

Trust is one essential lubricant to any and all social activities, allowing people to work and live together without generating a constant, wasteful flurry of conflict. Trust is thus the natural starting point of social capital. Low-trust organizations are characterized by manipulation, secrecy and the triumph of shrewd calculation over hard work. High-trust organizations, on the other hand, are rewarded with a culture that supports creativity and collaboration among its members.

Understanding Trust

Trust is not a uniform, invisible quality. It is largely situational. Many people experience trust in another person after a series of observations or trust-measuring experiments. Essentially, a person is judged trustworthy

(continued on page 4)

Invest in Organizational Trust

Building and maintaining trust is the most important social investment leaders can make. You can encourage trust by:

✓ **Being trustworthy.** Leaders set the tone, establishing the values and norms through their own actions.

✓ **Being open and encouraging openness.** Knowing who people are and what they are doing builds social connections and trust. Transparent and open promotion and compensation policies help build trust by reducing suspicion.

✓ **Letting workers share their knowledge with peers in other firms, even when they are the competition.** This openness and trust helps spread cooperation in industries.

Trust: The Starting Point of Social Capital

(continued from page 3)

if his or her words match actions. In reality, though, trust is more complex. For example, people who are treated as if they are trustworthy often deliver, while those who are viewed as untrustworthy rarely disappoint, either. That's because trust is a function of a relationship rather than a single, immutable quality.

Trust Is Fragile

Trust can be fragile and volatile. Even deep trust can be damaged or destroyed, sometimes by a single act — just as a long marriage can be irreparably hurt by a short-term infidelity. Even a seemingly small, dishonest action can cause harm to your organization's social capital. Those organizations that understand the threat of broken trust create an atmosphere of strong peer pressure on individuals to act in a trusting manner — because “that's the way things are done around here.” Good behavior spreads by example and adaptation. Employees on the front lines see what behaviors are rewarded and behave accordingly. ■

Networks: Where Social Capital Is Strongest

Human beings are social animals. We form families, teams, communities, societies and nations. Sociology, psychology and political science have long studied social groups and recognized their centrality to what people do and how they feel about themselves and the world.

These relationships are networks which shape the social capital in organizations. Networks are a prime source of a sense of membership and commitment as well as learning. Networks are the places in organiza-

The IRS and Networks

A day or two after sending its check to the IRS, a small company discovered that it had made a huge mistake in calculating the tax owed. It had paid several times more than the tax due, and the payment would cut into the company's cash flow. When company leaders called, they were told there was no way to return a check, but that the amount paid would be credited to future liabilities. A secretary in the firm mentioned that she knew someone who worked in that IRS office, and called to explain the problem. The acquaintance found the check, which had not yet been processed, and sent it back. Perhaps no better example exists of the power of personal networks to cut through red tape.

The Value of Networks

A group of executives was asked what they would rescue from their offices in the event of a fire. The questioner stipulated that the hypothetical offices contained valuable art work and furniture as well as the usual office accoutrements. Almost without exception, the executives voted to rescue whatever held their contact information: their Rolodexes, address books and Palm Pilots.

tions where people feel most at home and most responsible for one another.

Networks form because people need one another to reach common material, psychic and social goals. Mutual aid and general reciprocity are common to all functioning networks. Networks help people develop their identities. From grade school to retirement villages, the people we hang out with help us determine who we are. People are loyal to their networks and communities.

How do networks create feelings of belonging and trust?

● **By demonstrating in practice what is of value to the group.** For example, you have probably worked in an organization where the gap between how things work and how they really happen — the gap between what the manual said and what people really do — was vast. The actual practices are the experiences of the group.

● **By distributing information to the group members.** You no doubt have had the experience of finding out from members of your group about a major company announcement before it was made official. Networks distribute information quickly through word of mouth. Networks contain the knowledge of the organization and serve as an informal collaboration exchange.

The Underside of Networks and Communities

Not everything in the world of networks and communities is rosy. The same kinds of connections that give people purpose, satisfaction and a sense of identity can be responsible for feuds and guarding against outsiders. Networks can lock people out of jobs, clubs and communities. You must guard against the possibility that members of the company community are so wrapped up in doing their own thing that their work may not be of any productive use to the organization. Beware also of the development of “group think” — in which self-reinforcing beliefs about the way things are done have a firm grip on the company until the outside world proves them wrong.

The answer to these problems is to make the bound-

(continued on page 5)

Networks: Where Social Capital Is Strongest

(continued from page 4)

aries defining the group more permeable — to let more people and information enter from outside. When you hire, be sure that some of the newcomers are different enough from the norm to occasionally challenge it.

The Network-Building Organization

Networks can be encouraged to develop in ways that benefit the organization. Networks thrive when:

- **There is enough money.** You must provide enough funding to support face-to-face meetings, buy collaborative technology, and free up key individuals' time for network activity without going overboard.

- **There is enough space.** Networks need space to grow, bond and expand. That space is sometimes physical and sometimes cyberspace or social space.

- **There is enough recognition.** We all need encouragement, but many companies are remarkably bad at offering it. A little recognition can improve morale. ■

Give Employees Space and Time to Connect

In 1998, Alcoa moved its Pittsburgh central office staff from a 31-story tower built in the 1950s to a new, six-floor headquarters designed to connect people with one another. Open offices, glass-walled conference rooms and a six-story atrium allow employees to see many of their colleagues at work. People move from floor to floor on escalators rather than elevators. Family-style kitchens allow workers to mix and chat.

Alcoa CEO Paul O'Neill sees the design of the new work space as integral to his goal of increasing collaboration, connection and inter-dependence. The design of the new building helps narrow the gap between bosses and employees in the process of making it easier for people to meet and talk. Alcoa's new headquarters is an investment in social capital. Making the life of the workplace visible, providing places for people to meet and talk informally, and expressing the commonality of workers at all levels in the design of the offices all help to cultivate the trust, connection and perceived equality that mean high social capital.

Social relationships flourish in social spaces. For thousands of years, people have gathered in town squares, commons, cafés, pubs, parks, restaurants and general stores. In those spaces they connect and reconnect. When such places disappear, or people lose the habit of frequenting them, community is hard to come by. This phenomenon can be observed in some of the so-called bedroom communities, whose inhabitants

work in the city or office parks in other suburbs and rarely see their neighbors. In an attempt to build community, some developers are now including more public spaces in their plans.

Companies would do well to think about community when designing work places. Eliminating the lunch room, for example, may eliminate substantial opportunities for community building. Even worse is the practice of providing generic offices for those workers who are on the road most of the time. The reasoning goes like this: Why waste permanent office space on workers who only use it 25 percent of the time? Instead, assign them basically equipped offices as needed. The problem, of course, is that employees who are "hotelled" this way lose any connection with the organization's community.

If companies want to create a sense of community, the work space must reflect that commitment.

If companies want to create a sense of community, the work space must reflect that commitment. For example, putting meeting spaces at the far end of buildings conveys the idea that those spaces and what occurs in them are not central to the company. Putting the spaces near the entrance or center conveys that community and collaboration are important to the company.

Virtual Space Can't Replace Physical Space

Online chat rooms, team rooms, communities, forums and bulletin boards use the language of traditional meeting places to describe multi-participant exchanges, implying that they are functionally equivalent to really being there. That choice of language is misleading. The fact is that cyberspace is no substitute for real space, at

(continued on page 6)

Connecting Engineers

When Corning's engineers appeared reluctant to exchange information with one another, management set about finding a solution in their environment. They commissioned a study that concluded that 80 percent of the engineers' ideas arose from face-to-face contact, but that they were unwilling to walk more than 100 feet from their own desks to talk to anyone else. In light of these findings, the new engineering building included 12 discussion areas with coffee machines and wall-sized blackboards so that at least one was in every engineer's immediate office "neighborhood."

Give Employees Space and Time to Connect

(continued from page 5)

least not yet. Meeting in cyberspace presents drawbacks, including:

- A much narrower range of communication, with gestures, facial expressions, feelings and tones reduced or missing.
- A weaker sense of participation for those who listen without contributing. People who monitor online discussions without contributing disappear quickly, while those who sit quietly in a group do not.
- Fewer opportunities for serendipity, since interactions

People need to stay directly connected with people; e-mail is not an adequate substitute.

tend to be strictly limited to specific themes or tasks.

Virtual meetings work best when they are part of a mix of different kinds of contact.

People need to stay

directly connected with people; e-mail is not an adequate substitute.

Time to Get Connected

Some of the most important time investment is made during the first hours, days or weeks a new employee spends in an organization. Unfortunately, companies that require new workers to “hit the ground running” miss out on a one-time opportunity to develop that worker’s social capital value. Companies that invest in the initial development of workers by having extensive orientation and training programs in place help workers build personal networks and trust while they teach new hires “how things are done around here.”

The Power of Informal Lunches

Space and time for people to gather and make connections with one another are the seedbed and sunlight of social capital. By providing space and time, you can foster conditions that help social capital thrive.

If completely redesigning your company’s work space is out of the question, however, don’t despair. Networking and community building occurs in many places, sometimes spontaneously. Consider the habit of UPS drivers to meet for lunch in the communities they serve. The gatherings do a lot to informally solve problems and increase efficiencies. Drivers swap mishandled packages, discuss delivery difficulties, and generally make their workday more efficient without any input from corporate headquarters. ■

Social Talk and Storytelling: The Voice of Social Capital

Talking and listening to stories, chatting, or sharing a little gossip are the main ways that people in organizations come to trust and understand one another. Conversation is also a means to share technical information. When peers in any profession get together, they inevitably “talk shop” and often enrich their knowledge doing so.

Conversations and storytelling are the voice of social capital. They communicate values, behaviors, understandings and aims — all the shared cultural messages that define groups and turn individuals into group members.

The Art of Conversation

Conversations are rich in both tacit and explicit content. To observe this, go to your local café and watch people at the other tables. Even if you can’t hear what they are saying, you can watch their conversations as they nod or frown or smile or offer other clues as to the content of the unheard words. This complex give and take — the interaction and mutual work of creating conversation — is how people understand one another. Conversation is about much more than information sharing.

Organizations that support conversation make a huge investment in social capital. To encourage conversation:

- **provide social spaces for people to meet in and encourage conversation;**
- **allow time to talk;**
- **favor face-to-face conversation over phone, fax and e-mail;**
- **allow idle chat time in your definition of conversation.**

The Power of Stories

Stories have a particular power to build and support social capital. For one thing, they convey the norms, values, attitudes and behaviors that define social groups. By portraying situations and events, they show by example. People learn by seeing people in action better than they do by listening to abstract tenets.

Equally important, shared knowledge of story events draws people together. The classic American story about George Washington telling the truth about the cherry tree he chopped down goes a lot further to convey the value of honesty than the abstract idea of honesty. The act of telling and listening to a story itself is a social event. Like having a meal together or a drink at a pub, the experience of sharing a story connects people.

Storytelling as a Leadership Skill

Storytelling is an essential leadership skill. Leaders

(continued on page 7)

The Classic Corporate Story

Perhaps no other company story illustrates the medium's power to evoke corporate values and loyalty than the story of the creation of 3M Post-It notes. The story goes like this: 3M employee Art Fry, who sang in his church choir, saw the need for a way to mark song selections in the hymnal without damaging the pages. He thought to use an adhesive that another 3M employee had developed earlier. The adhesive had not been strong enough for any application, but the scientist had passed it around the 3M campus anyway in the hope that someone would see a use for it. When the company rejected his idea as too difficult to manufacture, Fry used the adhesive in his basement, where he built a machine to make the sticky notes. He then gave out samples at 3M when the marketing department claimed customers would not want to buy the product. Eventually, the product became a huge success for 3M. The story embodies the essential 3M values of persistence and initiative.

Social Talk and Storytelling: The Voice of Social Capital

(continued from page 6)

should and can validate the idea of storytelling and encourage others to tell stories by telling them themselves. Stories evoke stories. You have probably been in meetings when someone — usually a senior person — interrupts a dull flow of abstractions with a story. Immediately, someone else follows with another story, and people are energized.

Storytelling is powerful, and requires little in the way of investment of money or formal training. The best storytelling is spontaneous. All you have to do as a manager is let the storytelling take place. ■

The Challenge of Volatility

The software industry offers a striking example of volatility in today's organizations. Silicon Valley companies lure bright young software designers away from one another with the bait of higher salaries and stock options. Some firms double or triple in size in months and are then swallowed by tech giants. Others run through their venture capital and disappear. Fortunes are made and lost. Clearly, it takes a special organization to thrive in the high-tech world.

One such high-tech firm is SAS, which started out as a company offering a single software statistical tool, but now tracks and analyzes data for some of the biggest enterprises in the world. Yet, the company has a remarkably low turnover rate in an industry where loyalty and

a sense of community is virtually absent. People make a career out of working for SAS for a variety of reasons, including the company's dedication to funding research and development, providing ample resources for workers and encouraging people to move around in the company. SAS also prides itself on being family-friendly, with 35-hour work weeks and day care and recreational facilities for workers. The company works hard to limit volatility and counter its destructive effects on social capital.

You and your company can also learn to limit volatility despite the frantic pace of business today. The first step is to create a committed work force through hiring practices that assimilate new people into the organization. Do this by:

- **Hiring for the long term.** Get to know the candidate and how he or she will fit in. Don't rush the process. The hiring process itself should begin to create a network of connections that will help integrate the new person into the company. The newcomer starts with advocates and potential mentors; he is on the way to becoming a part of the culture before he officially joins it.

- **Orient and Train.** To be successful, your orientation program should place as much emphasis on communicating cultural values and behaviors as on teaching skills or procedures.

- **Emphasizing Longevity.** Don't offer large sign-on bonuses to entice new hires; it sends the wrong message to loyal workers and attracts the wrong kind of candidate.

- **Measuring Retention.** Compare your retention rates with other firms in your industry. A rate higher than the average indicates high levels of satisfaction and commitment, and means you are realizing real savings in recruiting and training costs.

Weathering Change: Mending the Social Contract

Think of the promises, expectations and benefits that connect individuals to organizations as a social contract. Changing any of the agreed-upon provisions breaks the contract and threatens to destroy the relationship and the social capital. The most common breach of contract occurs when an organization must downsize.

Economic reality and the volatility of the business world guarantee that there will be times the contract is broken. How your company handles that breach can destroy your social capital or help maintain it relatively intact.

Before you can limit the damage, you have to know the implied expectations of your employees. An employer who is unaware of the implicit terms of the bargain may be blindsided by the betrayal employees express when one of the hidden provisions is violated.

(continued on page 8)

Managing Change At UPS

The social contracts at United Parcel Service have long included the expectations of promotions from within. Coming up through the ranks has had almost the force of a religious tenet or defining principle. The UPS “story” has always been about people moving gradually through the company and of leaders who understand from personal experience what it means to be a driver or sorter.

In the 1980s, however, the need for staff with high-level information technology skills was indisputable. UPS managed the need for change by making clear the reason that hiring would now include recruiting from outside. And those hired from outside went through a training period that included time spent at a sorting center or on a package car route. A final note: Promotion from within is still the norm for many positions.

The Challenge of Volatility

(continued from page 7)

To minimize the impact, all changes to the contract should be justified as necessary for the continued health of the company and the necessary pain shared as equitably as possible. Leaders who lay off workers to cut costs while giving themselves larger bonuses breed resentment and cynicism. Social capital will survive intact if management takes the attitude that “we are all in this together.” ■

The Challenge of Virtuality

Virtual work is any work done over distance, with critical connections made by e-mail, Intranets, video conferencing, cell phones and other new communications technologies.

Companies are becoming attuned to the use of technology to coordinate employees’ efforts. But the social capital implications of virtuality are complicated. To what extent can people develop and maintain social capital by electronic means? The answer is not yet clear; we are in the middle of a worldwide social and organizational experiment.

Some of the problems with virtuality include the following:

- None of the technology currently available can carry even a fraction of the whole range of communications that people use to relate to one another and build social capital.
- Virtual connections tend to be brief and intermittent, while durable social connections take time.
- Virtual connections tend to have a clear, limited

purpose, while social connections grow by chance encounters and broad-ranging conversations.

● Virtual connections, such as e-mail, may actually distract people from what is going on around them so that they are “neither here nor there.”

For all these reasons, and especially because of the loss of richness, breadth and nuance, online is not yet the same as being there. No doubt you will have to embrace in at least a limited way the use of technology. When you choose to use a communications tool, be sure to ask

Organizations must be aware of the potential social capital costs of telecommuting and other kinds of virtual work.

yourself, “What do I need to accomplish with this communication?” E-mail may be the most efficient and

effective way to communicate straightforward information, but it is totally inadequate for building trust relationships or for complex negotiation or decision-making.

The Balancing Act

High social capital can protect organizations from the damage that virtuality can cause. Organizations with robust networks and communities, a deep reservoir of trust, and a clear sense of organizational identity are likely to have more success with virtual work than organizations that are fragmented. But organizations must be aware of the potential social capital costs of telecommuting and other kinds of virtual work. Combine virtual work with face-to-face work. Often, you simply have to be there to hash out important decisions, to get to know the people you will be working with, and to demonstrate your commitment. ■

The Limitations of Virtuality: The Challenger Launch Decision

NASA’s decision to launch Challenger into its fatal flight dramatically illustrates some of the pitfalls of long-distance, technologically mediated communications. The participants in the launch review were in three locations that fateful day: Florida, Alabama and Utah. They “met” via teleconferencing to evaluate the risk of a cold-weather launch and could hear but not see one another. One set of engineers expressed concern over the safety of the O-ring seals in a cold weather launch, to which someone replied, “My God . . . when do you want me to launch, next April?” A half an hour later, the engineers agreed to launch. They interpreted the statement as criticism of their hesitation rather than as an invitation to further discussion. The O-rings failed, and the shuttle exploded, killing all aboard.

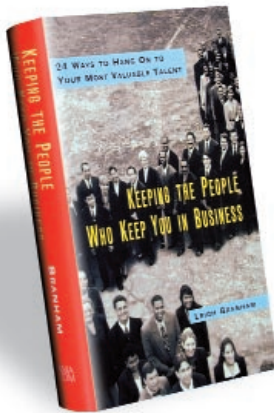
· Book 19 of 46 ·

Keeping the People Who Keep You in Business

Leigh Branham

SOUNDVIEW Executive Book Summaries®

FILE: HANDS-ON MANAGEMENT



By Leigh Branham

CONTENTS

Key #1: Be a Company That People Want to Work For

Pages 2, 3

Why Do Good People Leave?

Page 3

Key #2: Select the Right Person in the First Place

Pages 3, 4

Key #3: Get People Off to a Great Start

Pages 5, 6, 7

Set SMART Objectives

Page 6

Key #4: Coach and Reward to Maintain Commitment

Pages 7, 8

The Ten Things the Best Coaches Do

Page 7

Why Managers Avoid Recognition

Page 8

4 Keys to Hang On to Your Most Valuable Talent

KEEPING THE PEOPLE WHO KEEP YOU IN BUSINESS

THE SUMMARY IN BRIEF

In *Keeping the People Who Keep You in Business*, Leigh Branham helps you focus on doing what you need to do to retain the employees you most want to keep. Specifically, he introduces a series of solid practices to implement in your company or department that will have a positive impact on your best and brightest workers by enhancing performance, motivation and job satisfaction. Branham organizes these practices into four key areas that essentially parallel the phases of an employee's life cycle in an organization:

- **Key #1: Be a company people want to work for.** Your organization's leadership must build a culture that models, encourages and rewards commitment and attracts prospective employees by creating a reputation as an "employer of choice."

- **Key #2: Select the right person in the first place.** Your company's hiring managers, in coordination with its human resources department (if there is one), must clearly define the talent needed, recruit from the right sources, screen, assess and interview candidates effectively. These things help managers hire people who will allow the organization to implement its business strategies successfully.

- **Key #3: Get them off to a great start.** Your organization and its managers must integrate new employees in such a way that they are made to feel welcomed, prepared and challenged.

- **Key #4: Coach and reward to maintain commitment.** Your organization and its managers have roles to play in maintaining employee commitment, but it is the employee's direct manager who must be alert to constantly manage the performance agreement, recognize results and facilitate employees' career growth and advancement.

By putting into action the practices that comprise these key areas, you can energize your organization into one that is truly retention-focused and ready to reap the rewards of that focus. Turn the page to begin to unlock your potential ...



KEEPING THE PEOPLE WHO KEEP YOU IN BUSINESS

by Leigh Branham

— THE COMPLETE SUMMARY

Key #1: Be a Company That People Want to Work For

Many companies continue to see their people as factors of production, like fuel to be burned. They relentlessly push employees to work at a pace that is not sustainable. These cultures of abuse create a workforce that is largely disloyal and chronically short on true talent.

There are also companies for whom people want to work — companies with a culture of commitment, not abuse. These companies treat their employees like family and with respect, with a philosophy of nurturing and caring, investing time and money into their development and providing them with challenging positions.

Cultures of commitment become “employers of choice” largely because their senior leadership creates an environment where three essential relationship management practices are put into place:

- Adopt a “give and get back” philosophy,
- Measure what counts and pay for it,
- Inspire commitment to a clear vision and definite objectives.

Adopt a “Give and Get Back” Philosophy

Companies that are serious about employee retention try to help their people balance their personal and business lives and make their working lives more livable. Flexibility is an important theme — such benefits as flex schedules, job sharing, telecommuting and reduced summer hours are among the most sought-after because they provide employees with the greatest level of accommodation for personal and professional balance. Telecommuting, in particular, continues to grow as a popular tool for attracting and keeping a workforce that wants flexibility. “It’s absolutely the No. 1 way to retain employees,” says Deborah Tuchlowski, manager of the telework program at Arthur Andersen.

Some other examples of retention-minded benefits include the following:

- Qualcomm, of San Diego, permits unlimited accumulation of unused vacation time.
- Valassis Communication (of Livonia, Mich.) gives an infant car seat to employees when they become new parents.

Truly innovative companies come up with new ideas

for employee services and benefits, because they simply decide to pay attention to what employees need and want. Mike Quick, CEO of the Columbus, Ohio-based Quick Solutions, rewards consultants with three or more years of tenure by paying for a monthly professional housecleaning service.

Training is also important. Retention-minded companies must provide their employees with the skills they need to achieve business objectives, and to ensure that those companies and their employees keep pace with the rate of change in their business. Indeed, there are three key reasons that organizations must invest in training for their employees:

1. It sends the message that they are valuable enough to invest in.
2. It contributes directly to the creation of long-term customer value.
3. Companies generally retain more of the people they train.

Taco, Inc. (a heating and cooling equipment manufacturer in Cranston, R.I.) knows the benefits of such investments. Its Learning Center provides employees with skill-building training opportunities that have helped the company shrink annual turnover to less than one percent, while revenues climb at a steady 15-20 percent annually.

Measure What Counts and Pay For It

Retention-focused companies, in their attempts to build cultures of commitment based on partnership and empowerment, seem to be looking to new pay practices, not just to drive performance, but also to address specific desired results, reinforce and recognize contributions, and provide their people with a sense of ownership in the company.

(continued on page 3)

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Key #1: Be a Company That People Want to Work For

(continued from page 2)

One strategy is to opt for a “variable pay” approach to compensation. Examples of variable pay include:

- Special recognition monetary awards, which award cash payouts to recognize unplanned, significant individual or group contributions that far exceed expectations.
- Gainsharing, which rewards those who contribute to improvements in productivity or quality with a portion of the cost savings generated by those improvements.
- Winsharing, which rewards those who contribute to increased profitability, using group performance as the measure to determine actual payout.

When structuring your pay strategies, it is important to keep the following points in mind:

1. Offer new recruits retention bonuses instead of signing bonuses, payable after a year or two on the job.
2. Pay employees “project completion” bonuses so that they will stay until a critical project is completed.
3. Pay retention bonuses or selectively grant stock options to employees who stay through a merger or acquisition.
4. When you sense an employee is beginning to look for another job, approach the person with the opportunity for a choice assignment or a promotion into a higher-paying job.

Inspire Commitment to a Clear Vision and Definite Objectives

The problem with mission statements or broad objectives that are issued from on high is that they evoke compliance, not commitment. However, your people have to be committed to achieving the right business goals and results. In order to get your employees to commit to your objectives, you should do the following:

1. Ask your people to help create goals and objec-

tives, from the bottom up.

2. Be committed to the vision yourself.
3. Let your people know they have free choice, giving them the first shot at defining the appropriate measures for performance, then negotiating agreement to them.
4. Accept ongoing responsibility for creating alignment between the company’s vision and the objectives of your employees.

A terrific example of this approach in action is 3M, which encourages visionary leadership among all employees by allowing those who develop new product ideas to take the lead in the development and marketing of those products. ■

Key #2: Select the Right Person in the First Place

Today’s hiring mistakes are tomorrow’s turnovers; bad hires are the reason that 20 percent or more of the workforce are marginal performers. You must reclaim responsibility for recruiting for two essential reasons:

1. You are the person whose headache will be abated if the right person is hired, or made worse if the wrong person comes aboard.
2. It will keep you “plugged in” to the external community, business trends and outside events, putting you in touch with the full diversity of the talent pool available to you.

How can you successfully recruit and choose the right people? Here are some practices that will help:

- Redesign the job itself to be more rewarding.
- Define results you expect and talent you need.
- Creatively expand your talent pool.

Redesign the Job Itself to Be More Rewarding

Employee motivation researchers J. Richard Hackman and Greg R. Oldham have documented that employees display strong self-motivation, high work satisfaction, high-quality performance, better customer service, low absenteeism and reduced turnover when their jobs have five essential characteristics:

1. Skill variety.
2. Task identity (requiring an employee to complete a whole piece of work from beginning to end.
3. Task significance (to the lives or work of other people).
4. Autonomy.
5. Feedback.

Managers sometimes struggle with ways to begin redesigning their workers’ jobs to meet these criteria.

(continued on page 4)

Why Do Good People Leave?

- They see no link between their pay and their performance.
- They don’t perceive growth or advancement opportunities.
- They don’t see their work as important, or their contributions are not recognized.
- They don’t get to use their natural talents.
- They have unclear or unrealistic expectations.
- They will no longer tolerate abusive managers or toxic environments.

Key #2: Select the Right People in the First Place

(continued from page 3)

Hackman and Oldham recommend these strategies:

- **Combining tasks.** Take small tasks performed by separate people and combine them into a whole piece of work that one person can do, increasing both the skill variety and task identity of a job.

- **Forming natural work units.** Allowing workers to arrange themselves into inherently meaningful or logical groupings increases both task identity and significance. Units can be formed based on any number of criteria, from geography to types of businesses served to compatible work units.

- **Establishing client relationships.** Put the employee into more direct contact with customers and assign them greater responsibility for managing customer relationships. Employees must use their talents and exercise discretion as they negotiate priorities, troubleshoot problems, receive complaints and handle other customer-related situations.

- **Vertical loading.** This concept means giving the worker increased autonomy by pushing down the responsibility and authority originally held by a manager. Some examples of this are giving employees discretion in setting schedules, determining work methods and deciding when quality standards have been reached.

- **Opening feedback channels.** Remove whatever is standing in the way of the employee's receiving direct feedback about how he or she is doing. This can be accomplished by establishing more direct interaction with customers, allowing workers to do more of their own quality control or posting performance results.

Define Results You Expect and Talent You Need

Many companies are now defining and describing jobs in terms of competencies, not simply in terms of duties and tasks, or knowledge required. Competencies can be broken down into four elemental categories:

- **Traits.** Everyone has talents. When selecting for talent, you must keep in mind that a person may have a talent, yet not enjoy using it. The ones we do enjoy are called "motivated talents," meaning we find ourselves naturally self-motivated to use them. The trick for management is to match the motivated talents with the right role, challenges and expected results — while remembering the employee must mesh with the other talents and roles on your team in achieving the goals of your unit.

- **Knowledge.** What do you need to know or to have experienced in order to get the required results? Unlike talents and personality traits, knowledge can be taught or

self-taught by study or practice. You mustn't overemphasize knowledge (which can be acquired through training) at the expense of traits or talents (which cannot).

- **Self-Management Traits.** The traits (such as emotional intelligence) that put a premium on self-directedness, teamwork and interpersonal skills are more important than ever to individual and organizational success.

- **Motivations.** If we define competency as the underlying characteristic of an individual that can be shown to be connected to superior performance, then we must include motivations, which drive employees to achieve that superior performance. If you were, for example, hiring a manager to come in and turn around a department in disarray, you might look for a candidate whose most satisfying accomplishments revealed motivations such as "responded to a challenge," "overcame adversity" or "had an impact."

Before making your next hire or filling a position on your new team internally, list the specific results you expect the person to achieve; consider the changes taking place in your company, industry or market; and think about the people this person will be working with. With that knowledge in hand, determine the competencies you believe will be needed in the person you choose. By making such considerations, you will reduce your percentage of bad hires significantly, ensuring yourself of a higher retention rate.

Creatively Expand Your Talent Pool

Here are some of the tactics that have been proven to be effective in helping creative companies win the war for talent:

- Begin recruiting in high schools instead of colleges.
- Interview applicants who may lack traditional qualifications (degrees or years of experience) but who have the right "motivated abilities."
- Work with your local chamber of commerce to have them keep a résumé book of new arrivals.
- Register to list your open positions with the state employment service.
- Stay in touch with talented people who leave, and use them as recruiting resources.

You can also look into high-tech means of expanding your talent pool. Microsoft, for example, has developed a strong e-recruiting process for reaching out to universities through its Web site. Cisco Systems, likewise, has created a digital system that expands its pool of the right kinds of applicants, then prequalifies them. The technology leader has grown from 250 employees to over 15,000, with a turnover rate of eight percent (compared to the industry average of 15 percent). ■

Key #3: Get People Off to a Great Start

According to one study, 50 to 60 percent of employees change jobs in the first seven months of employment — as soon as they're hired, they start looking for better opportunities. Experienced managers understand that they are most vulnerable to losing employees during this initial period.

For an organization that hires 25 college graduates a year at an average salary of \$30,000, the difference between correctly managing the initial joining-up process and failing to do so can total \$750,000 in annual turnover costs. It is imperative to get new hires off to a great start, yet the majority of firms expect employees to hit the ground running, with little coaching or training.

From the new hire's perspective, there are several fundamental questions that need to be answered in the first days or weeks on the job:

- **Do I feel welcomed and valued here?**
- **In what way is my job important to this organization?**
- **Exactly what is expected of me?**
- **Will I learn, grow and be challenged here?**
- **Will I get to exercise independent judgment and creativity?**

Your power to influence the success and retention of a new employee is enhanced by your ability to do several key things, among them:

- **Communicate how their work is vital to success.**
- **Get commitment to a performance agreement.**
- **Give autonomy and reward initiative.**

Communicate How Their Work is Vital to Success

Whether employees believe their work is important to an organization's success is one of the most essential

requirements in whether those employees stay or move on. While some jobs are more important to the organization's mission than others, all jobs, if properly designed, have some degree of meaning. This does not automatically ensure, however, that the employees who hold those jobs fully appreciate why their jobs are important. You must make a difference by communicating the significance of the job to each new shareholder.

At Houston's St. Luke's Hospital, for example, nursing supervisor Cheryl Hanks shares with her staff the mission of the hospital, then they all discuss how they fit into it. Their conversations are not relegated simply to providing quality care, but also to the hard-nosed financial and productivity objectives for the hospital, the unit and the individual.

Indeed, in these days when so many jobs have been eliminated, the justification of each worker's job is an open issue at most companies. Your organization, if it is like most, is probably asking you and all employees to do more with less. Why should your people work so hard? Your job is to give them a good reason to be dedicated.

This process starts with you. You must be dedicated to achieving your organization's goals. You must also be able to explain your company's vision of its future in a vivid way, to energize your employees and gain their commitment to that future.

Get Commitment to a Performance Agreement

Once the employee fully appreciates the significance of his or her job assignment, you must clearly communicate the expectations of that assignment, the expected results of his or her work. This practice is about how good you are at managing the performance of all your people, not just the newly hired, using a partnership model of performance management — a relationship where two partners (company and employee) forge a mutual agreement. The essential tenets of the partnership model include the following:

- **Manager and employee agree on whether objective measures were met or not, rather than relying on subjective evaluation from the manager.**
- **The process is owned by line managers as a tool to help employees succeed, rather than relying on HR to drive the process as a bureaucratic exercise.**
- **Performance discussions occur on a daily or weekly basis, with quarterly reviews, rather than making the appraisal process an annual event only.**

The performance agreement starts with getting the employee's input; the employee is much more likely to buy into the agreement if he or she has had the chance to contribute to the setting of performance objectives.

One of the most difficult aspects of setting perfor-

Customers and New Workers

Any company can remind employees how important they are to customers.

For example, the orientation video at pharmaceutical maker Aventis reinforces the role of employees in making people's lives better. It features patients who have benefited from the company's allergy medications discussing how much those medications helped them.

In a radically different industry, Harley Davidson puts up large, full-color posters of celebrity "Hog" owners standing beside or sitting on their motorcycles, to remind employees of the important role they play in customer satisfaction.

(continued on page 6)

Key #3: Get People Off to a Great Start

(continued from page 5)

mance objectives is reaching agreement on which measurable objectives to use, as some employee's jobs lend themselves to measurement more easily than do others. Here are some examples of potential measurements in four key areas:

Quantity:

- Number of customers/clients serviced per month/quarter
- Number of cases handled (referrals, complaints) per period
- Number of hours lost to absenteeism per period

Quality:

- Production hours lost due to injury (severity rate) per period
- Percent avoidable voluntary employee turnover
- Percent work redone (or rejected completely)

Time:

- Number or percent of deadlines missed
- Number or percent of complaints resolved within days
- Time elapsed (turnaround time)

Cost:

- Percent variance from budget
- Dollars saved over previous period/quarter
- Number of hours to complete task each time

Give Autonomy and Reward Initiative

Many managers are reluctant to give their employees more freedom and the opportunity to use their creativity and independent judgment in the way they do their jobs. Some are too controlling to give their people any leeway or leverage in determining how to do their jobs; some simply think they're helping their employees by jumping in and doing the work for them, not realizing their people are insulted by the intrusion. Other reasons managers don't give their people more autonomy include the following:

- They enjoy the work too much to give it to someone else.
- They don't believe their workers want more autonomy.
- They fear they will be out-performed by a more competent member of their staff.
- They are cynical about the "e-word," believing that worker empowerment is just another buzzword or management fad.

Yet, companies that give their workers the space and autonomy in which to do their jobs often find the employees excel in that environment. Nordstrom department stores, for example, are well known for their

excellent customer service, based on the freedom the company gives to its sales associates to make on-the-spot decisions. The company's only rule is "Use your best judgment at all times." One employee helped press shirts a customer bought at another store so that the customer could get to an appointment on time.

Larger companies are finding that they are losing top-notch talent to start-ups, because the latter tend to offer more autonomy in day-to-day work; this fact has caused big organizations to mimic smaller companies by creating smaller, more autonomous units. These organizations eventually understand that their best performers are the ones who want the most autonomy and freedom to take the initiative. They also discover that their average performers can transform themselves into top performers when given the chance to have more say.

Whirlpool Corporation provides low-wage workers a voice by placing them on strategic teams with senior managers and executives. These front-line workers help make decisions regarding the company's facilities across the United States, even traveling abroad with executives to visit new manufacturing facilities and provide input that gives management a better perspective on production and labor issues.

Understand, though, that there are degrees of delegation. You decide which degree is appropriate by considering the nature of the task, the ability of the person doing the work, the amount of top management interest and the time available for task completion. According to W.W. Nesbitt of Westinghouse Electric, the degrees of delegation can be boiled down to the following:

● **The employee investigates and reports back.** You, the manager, make the decision and take appropriate action.

● **The employee investigates and recommends action.** You evaluate the employee recommendation, make the decision and take action.

● **The employee investigates and advises you of the action he or she intends to take.** You evaluate the decision made by the employee and approve or disapprove.

(continued on page 7)

Set SMART Objectives

To craft a mutually acceptable, motivational and indisputable performance agreement, use the following formula in the setting of objectives. Those objectives should be:

● Specific	● Measurable
● Achievable	● Results-oriented
● Time-bound	

Key #3: Get People Off to a Great Start

(continued from page 6)

- **The employee investigates or takes action; advises you of action taken.** You display faith in your staff's ability but want to be kept advised of what's going on.

- **The employee investigates and takes action.** This is full delegation and displays complete faith in your staff's ability. ■

Key #4: Coach and Reward to Maintain Commitment

It is one thing to gain an employee's initial commitment to an endeavor, but it is more difficult to sustain that commitment over the long haul. To do so, you must pay attention to the details of management — to your employees' performance, to their career progress and advancement, to their morale, even to the difficult tasks of who stays and who is let go.

It is said that 50 percent of work life satisfaction is determined by an employee's relationship with his or her manager. Here are some practices that will help you make sure your people are happy and at their best:

- **Proactively manage the performance agreement.**
- **Recognize results.**
- **Give the employee the tools to take charge of his or her career.**

Proactively Manage the Performance Agreement

Once you have made a performance agreement and gotten your employee's commitment to it, you must pay attention to performance results on a daily or weekly

The Ten Things the Best Coaches Do

1. Take time to listen to their employees.
2. See their employees as people, not just overhead.
3. Care about their employees personally, helping if they have personal problems.
4. Set a good example for their employees.
5. Let their employees know they can accomplish more than they thought they could.
6. Encourage their people.
7. Never pull rank.
8. Don't keep their employees in the dark; letting them know what's going on in a given situation.
9. Praise their employees for a job well done.
10. Let their people know in a straightforward manner when they don't do their jobs well.

basis, giving praise or corrective instruction, as required, to proactively ensure results are achieved. This is what being a performance coach is all about.

The great University of Alabama football coach Paul "Bear" Bryant gave tremendous speeches to business audiences, in which he extolled the virtues of selecting the right players (employees), inspiring them to win, and showing them you (as manager) care about them. Yet, when actually coaching his team, Bryant rarely tried to inspire his players or empathize with them. What he did do was to observe them, record them, keep charts of their performance, correct them when they did something wrong and praise them when they got it right. He employed a simple coaching technique that is as applicable on the job as on the football field: **1. Gather data; 2. Provide feedback; 3. Question; 4. Inform and instruct; 5. Reward, often with simple praise.**

Managers often fail to engage even a simple technique for giving feedback. One study found the number one cause of performance problems in 60 percent of companies was poor or insufficient job performance feedback from supervisors. Another study found 41 percent of employees believe their managers have no effect whatsoever on their job performance. These findings show that most managers are weak coaches, and their people know it.

There are six basic reasons managers fear giving feedback:

1. Reluctance to confront, either because the manager has not observed the behavior, or the employee is more technically expert than the manager, or the manager simply wants to avoid confrontation.

2. Fear of hurting, due chiefly to the fact that many managers have never been taught how to critique performance without having the employee take it personally.

3. Fear of failure, again due at least in part to a lack of training.

4. No time for coaching, due in part to downsizing and consolidations and resulting workflow increases that leave managers with less time than ever to coach.

5. They never receive feedback themselves.

6. Little incentive to coach and give feedback, except the negative consequences resulting from high turnover.

How can you turn that around, to go from fearing giving feedback to giving feedback that is prompt, effective and encouraging?

- By giving immediate feedback.
- By providing specific examples of wrong behavior, as well as specific examples of expected behavior.
- By reaffirming that you value the employee and his or her contributions.

(continued on page 8)

Key #4: Coach and Reward to Maintain Commitment

(continued from page 7)

- By never reprimanding based on hearsay.

Recognize Results

While most managers continue to believe that pay is the most important factor in whether employees stay or go, employees consistently rank recognition for their good work as the top factor. In one survey, employees rated a manager's thanks as the most effective incentive, but 58 percent of respondents reported they seldom if ever received a personal "thank you" from their superiors.

There are two basic forms of recognition: informal and formal.

Informal rewards are initiated at the manager's discretion to recognize and motivate individuals in a timely way. Some informal ways to recognize and reward your employees may include the following:

- **Recognition activities.** One-time events that celebrate a significant achievement or milestone, such as an employee's anniversary date.
- **Communication.** Open-forum communication (such as management-sponsored "town hall meetings")

Why Managers Avoid Recognition

Most employees would agree that their chief motivation and satisfaction lies in the "C-A-R" motivational cycle — Challenge followed by Achievement followed by Recognition. This cycle, noted by Frederick Herzberg (the father of modern worker motivation theory), was based on a study that showed that the factors that produced the most instances of job satisfaction were, in order: achievement, recognition, the work itself, responsibility, advancement and growth.

But why, even when presented with such data, are some managers still reluctant to recognize employees? The reasons:

1. They ascribe to a hands-off management philosophy that essentially states, "If you don't hear from me, that means you're doing a good job." Managers who use this style believe that employees should do their jobs according to the expectations of the people who hired them, without needing to constantly hear they're meeting or exceeding those expectations.
2. They believe that "rewards and recognition" are the responsibility of the human resources department.
3. They don't spend enough time observing their employees' performance to know when they are achieving results in the first place.
4. They simply don't know how to give recognition and fear they will do it the wrong way.

is desired by almost all employees, yet only about a quarter of managers use it.

- **Recognition items, trophies and plaques.** Such rewards are customized for the individual, the company or the event.

Formal rewards are initiated by the organization to motivate all employees. Some examples include the following:

- **Multilevel reward programs and point systems.** These are tailored to the needs of different levels and types of employees and usually recognize only a small number of them in a dramatic way.

- **Field trips and special events.** These are desirable and promotable incentives but, due to their cost, they must be limited.

- **Education, personal growth and self-development.** This includes additional training and services that build needed skills while satisfying the employee's need for growth and development.

Give the Employee the Tools To Take Charge of His or Her Career

During the 1990s, many companies entered into new covenants with their employees, in which workers were given the internal systems, services, training and opportunities to take charge of their career progress and enhance their employability. Some of the ways in which organizations accomplished this are as follows:

- **Providing employee assessment and career planning workshops.** Companies such as Raychem, Apple Computer and Sun Microsystems hold on-site workshops where employees can assess their abilities, interests and values, and where they can plan with their company to determine possible future options.

- **Establishing employee career centers.** IBM and Motorola, among others, set up internal career centers where employees can use competency assessments, confidential counseling, career management, lunch-and-learn training seminars and other tools and programs to evaluate themselves, their skills and their career interests.

- **Maintaining internal job and talent banks.** Microsoft has created an online service where employees can learn about open positions and the skills required for them. The company's "electronic campus" is also stocked with lists of books, professional associations, courses and other valuable professional development resources.

- **Starting a mentoring program.** Formal mentoring programs have grown in popularity in recent years, in companies such as Ernst and Young, J.C. Penney, Price Waterhouse, Quaker Oats, Hewlett Packard and others. HP, for example, maintains a highly structured online mentoring database that mentees can use to search for mentors with specific areas of expertise. ■

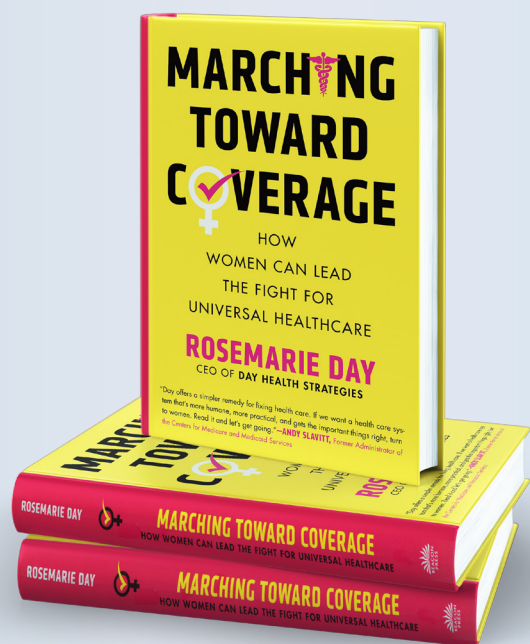
· Book 20 of 46 ·

Marching Toward Coverage

Rosemarie Day

BOOK SNAPS™

Zooming In On Your Next Read



Marching Toward Coverage

By Rosemarie Day

Rosemarie Day is the founder and CEO of Day Health Strategies, which helps to implement national health reform. She's been working in healthcare and related fields for more than 25 years, including as the founding deputy director and chief operating officer of the Health Connector in Massachusetts, where she helped launch the award-winning organization that established the first state-run health insurance exchange in the state. She also served as the chief operating officer for the Massachusetts Medicaid program.

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Illustrated edition

Leading the Fight for Universal Healthcare

Healthcare is a topic that's been heavy on the minds of many Americans and people worldwide as of late. It's not hard to see why. Between the COVID-19 pandemic and challenges to the Universal Care Act, the relationship between individuals and families and their access to healthcare has rarely been more fraught.

It's within this context that Rosemarie Day has released her book, *Marching Toward Coverage: How Women Can Lead the Fight for Universal Healthcare*. Rosemarie Day is a pioneering reformer in the field of healthcare, having spent her career in various positions in the healthcare industry from small startups to major organizations and even some time in the government sector.

But Day's most visible work has been as the founder and CEO of Day Health Strategies, focused mainly on helping move forward the work of nationwide health reform. In addition to their pioneering work in health reform, Day Health Strategies now also works with organizations looking to change the way they approach healthcare. Along the way, Day has become a widely respected expert on healthcare, health reform, and other related fields.

That brings us to *Marching Toward Coverage*. While an uninformed glance at the subtitle might leave certain audiences wondering why healthcare should be a gendered issue—after all, men are subject to the same healthcare system that women are, flaws and all—a deeper look reveals that the need for healthcare reform is more gendered than it might immediately appear.

For starters, the vast majority of healthcare decisions are made by women. Women make 80% of healthcare related decisions for themselves and their families. As a result, it's largely women who are interacting with the complexity and shortcomings of the American healthcare system.

To Day, the lack of access to affordable, manageable healthcare is nothing short of a national emergency. She believes that a growing swell of activism led not by politicians but by everyday women can inspire those leaders to take action and change the course of healthcare for the better.



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In that way, this book isn't just a critical analysis of the current state of healthcare—it's a field guide for women filled with actionable information about how they can improve the state of healthcare in a very real way. In fact, the book is perhaps most effective as a tool for taking incredibly complex concepts—the Affordable Care Act, how preexisting conditions are managed by providers, employer-sponsored plans, etc.—and communicating them in a way that makes them more accessible to the layperson. After all, a citizen can't take informed action until they're informed.

Any fears that *Marching Towards Coverage* might waste its pages on idyllic dreaming of a healthcare utopia are quickly assuaged—Day's approach is a pragmatic one. While she isn't shy to assert that healthcare is a fundamental human right, she gets right down to the business of assessing exactly how that right can be secured through tangible actions today.

Marching Toward Coverage Amidst COVID and ACA Challenges

It's worth noting that the world in which *Marching Toward Coverage* was released is a very different one from the world in which it was initially drafted. While we can't say for sure exactly when the bulk of the writing of Day's book took place, its release occurred just as the COVID-19 pandemic exploded around the globe and the book mentions that much of it was written in 2019.

So, while the book doesn't address COVID-19 directly, the global landscape has made Day's writing even more intensely relevant than she ever could have anticipated. While Day may have been tempted to delay her book release and add content to the book that addressed the pandemic, it's hard to imagine how the original version as it stands could be more timely.

More than anything, the virus has laid bare many of the challenges and shortcomings of the American healthcare system. Hospitals have quickly become understaffed and overfilled, with many state and local leaders saying they're on the brink of having to turn away some patients.

Meanwhile, people who are contracting the virus are avoiding getting care in some cases because they're worried that they won't be able to afford their bills. Horror stories of six-figure bills after a COVID-19 related hospital stay have circulated widely—adding to the countless stories of debilitating hospital bills that have long been a staple of our current healthcare system.

Rosemarie Day's message has become timely in another way. Just as activists like her are urging the need for further healthcare reforms, the only major bit of healthcare reform of the 21st century—the Affordable Care Act—is under attack.

Combining Knowledge and Activism

In the book's preface, Day outlines the intended dual purpose of the book—to inform readers with the necessary knowledge to understand the health care system, then to empower them to act on that knowledge for the betterment of the nation and the world.

"I wrote this book... by bringing together two key components: knowledge and activism," she writes in the preface. "I know that life is terribly busy and you may not be able to read the entire book. That's OK! Read some now, save some for later. Some parts may be more important to you now than others. I hope the book, taken as a whole, informs and inspires you."

This excerpt serves as a representation of Day's overall approach to activism—that it doesn't have to be an all-or-nothing dive into full-time revolution. Day believes that a wide spectrum of everyday people—in this case, women—making marginal increases in their level of knowledge activism can lead to real and necessary change overtime. She recognizes that change won't happen overnight, and she both believes and encourages her readers to believe that that's okay

It's telling that she ends her preface with a quote from Dr. Martin Luther King, Jr. about the long path of reform: "The arc of the moral universe is long, but it bends towards justice."

Day partners this quote with words of her own: "But the arc won't bend by itself. Together, we have the power to make change if we join forces and act. Please join me as we keep marching towards coverage."

Where Women Fit in the Fight for Universal Healthcare

"In addition to our challenges as caregivers," Day writes, "women are more vulnerable to gaps in the employer-sponsored insurance system and cutbacks in Medicaid." Details like these explain why women are so deeply affected by issues relating to healthcare. But what makes them uniquely suited to battle for it as a cause? Day covers that, too.

"Women have proven themselves capable of strong and persistent activism on health (and many other) issues, locally and nationally. We have built awareness and overcome obstacles, both personal and systemic. We now need to bring it all together, holistically and impactfully, with a movement for universal healthcare."

Different Nations, Different Paths to Universal Coverage

Throughout the book, Rosemarie Day asks readers to confront some truths about America that may make pro-America stalwarts cringe. Nowhere is this more true than when she spends a chapter directly comparing American healthcare to other developed nations, a comparison where the U.S. falls well short.

"Our population health outcomes are much worse than those of countries that have universal healthcare, despite the tremendous amount we spend. In fact, our infant mortality and life expectancy rates are similar to those of much poorer nations. American women are much more likely to die in pregnancy and childbirth than they are in any other wealthy country (with black women three to four times more likely to die than white women), and the rate is getting worse. American women have higher rates of emotional distress and are the least likely to give



Day's message isn't that American healthcare is a hopeless mess—it's that we can learn and improve by following the examples of other developed nations.

a high rating to the quality of their healthcare, compared to women in other wealthy countries. And almost half of American women have problems with their medical bills.”

While this passage paints a bleak picture, Day's message isn't that American healthcare is a hopeless mess—it's that we can learn and improve by following the examples of other developed nations.

Day by no means paints these other nations as shining beacons of healthcare perfection, and she does recognize that there is more than one path to universal healthcare, but looking at these examples provides insights into how America might improve its standing when it comes to healthcare quality, access, and affordability for its citizens.

In this section, Day dives deep on the numbers and figures—a section where she may lose less statistics-inclined readers. That said, the data she uses does paint a compelling picture, and it plays strongly into her stated purpose of educating readers before they can be informed activists.

The charts, graphs, and figures Day includes help to visually convey her message, and she does an admirable job of keeping the data focused on its human cost rather than getting lost in the weeds of in-depth analysis.

Along the way, Day excels by never losing sight of the context. It's easy to trot out graphs and charts that show a narrative, but communicating what that data means and especially what it means for everyday Americans is a bigger and more important challenge.

Day also outlines specific measures that other countries use to improve the healthcare of their citizens, including extended parental leave, subsidized education, unemployment assistance, and more.

Crucially, Day doesn't stop at outlining the ways other countries are outpacing the U.S.—she details a path to help us catch up. “If our ultimate goal is to improve health,” she says, “then universal coverage is not enough. It's more important to look at the countries that are doing better than we are and learn from them. We can also look at successful programs in the U.S. and expand them.” She goes on to detail successes in both the U.S. and other countries in areas such as earned income tax credits, food stamps, education, and others.

Conclusion

Overall, this book isn't just a feminist manifesto, a searing criticism of American healthcare, or a political call to action—it's

all of these things and more. Most importantly, it's an educational resource. Complicated topics obscure the truth about how to improve one of America's ‘most dysfunctional and confusing industries,’ locking the power for change in the hands of a select few people in power who often benefit from maintaining the status quo.

It's in this dual role as both an educator and a revolutionary leader that Rosemarie Day truly shines. There's plenty of hard data, but there's also much more than that. There's lots of inspiration and motivational language, too, but Day makes sure to go beyond inspiration to pragmatism. She covers the Who, What, Where, When, & Why in equal measure, and does so in a way that's both in-depth enough to represent the complexity of the problem and straightforward enough for the average reader to understand.

After all, as Day testifies throughout the book, one of the greatest barriers to healthcare reform is knowledge. We can't take action to confront the problem until we know how the system works, where it fails, and how to correct it.

By looking at small successful programs within the U.S., nationwide successes in other developed countries, and a series of research and experiences from Day's own long career in healthcare, this book presents a complete picture of the state and future of healthcare as it should be—accessible, understood, and affordable for all.

While those who are already deep in the fight for healthcare reform may not find any particularly striking new insights, *Marching Toward Coverage* is a compelling and effective look at potential paths to reform that the average American (woman or otherwise) can get behind. That makes it a book well worth celebrating.

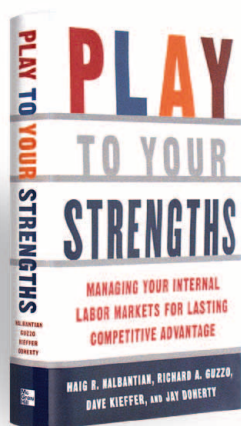
· Book 21 of 46 ·

Play To Your Strengths

Haig R. Nalbantian, Richard A. Guzzo, Dave Kieffer, and Jay Doherty

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FILE: PERSONNEL/HUMAN RESOURCES



By Haig R. Nalbantian,
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and Jay Doherty

CONTENTS

What Is Human Capital?

Pages 2, 3

The Science of Human Capital Management

Pages 3, 4, 5

TechCo's Interrelated Systems

Page 3

Toyota and the Say-Do Trap

Page 4

First Tennessee Finds Value

Page 4

Human Capital Strategy Tools

Pages 5, 6, 7

ProCo Changes Its Strategy

Page 7

Applications of Human Capital Management

Pages, 7, 8

Implications for Stakeholders

Page 8

Managing Your Internal Labor Markets for Lasting Competitive Advantage

PLAY TO YOUR STRENGTHS

THE SUMMARY IN BRIEF

One of the largest assets of any company is its human capital combined with the system that manages it, but so many managers insist on treating employees as costs to be minimized rather than as investments that add value to the organization. The reason is that people and their skills — unlike more tangible assets — are hard to measure and predict. But increasingly human capital is becoming a company's unique competitive advantage, and it will need more active management and guidance. A new, fact-based science of human capital management has emerged that is based on systems thinking, determining the correct facts about the organization, and focusing on value. With this new way of managing human capital, executives can use their human capital to its full advantage by aligning the human capital strategy with the business strategy and finally allowing stakeholders to analyze and evaluate one of the most powerful assets of any company.

What You'll Learn In This Summary

- ✓ Why human capital is such a difficult asset to manage properly.
- ✓ How human capital and its management can be a source of enduring competitive advantage.
- ✓ The three principles of human capital: systems thinking, getting the right facts, and focusing on value.
- ✓ How to define and build a human capital strategy.
- ✓ How to conduct an Internal Labor Market Analysis of your organization to discover the current status of the work force.
- ✓ How to use Business Impact Modeling to determine the human capital drivers of business success.
- ✓ How to apply human capital management to areas of business, such as people, acquisitions and customers.

PLAY TO YOUR STRENGTHS

by Haig R. Nalbantian, Richard A. Guzzo, Dave Kieffer and Jay Doherty

— THE COMPLETE SUMMARY

What Is Human Capital?

American companies typically invest an average of 36 percent of their revenue in their work force each year, yet they know nothing of the return on that investment. Executives accept this lack of knowledge because of their inability to measure, assess or predict the outcomes of work force tactics as they can for other areas of the business. Since no company knows how to measure and manage human capital, no company has been able to use it as an advantage. But that is changing.

Past sources of tangible competitive advantage, such as access to capital, technology, and economies of scope and scale, are becoming less critical. The last unexploited sources of advantage are a company's intangible assets of human capital and its human capital strategy — the tactics, policies and practices used to manage it.

Six Essential Factors of Human Capital

People — The nature and quality of individuals influence the performance of an organization.

Processes — Dominant work processes have direct and indirect effects on organizational performance and differentiate companies in the same industry.

Managerial Structure — Management structure and practices directly affect the work of employees.

Information and Knowledge — The flow of information and knowledge drives productivity.

Decision Making — Important decisions affect strategy, operations, finance, marketing and sales.

Rewards — The organization's financial and non-financial reward structure reflects the motivational component of human capital strategy.

These six factors act together as a system, but they also function within the context of other systems. The human capital strategy must complement the company's marketplace, business model, and financial and physical asset management. Decisions made about one system without regard for others will always be suboptimal.

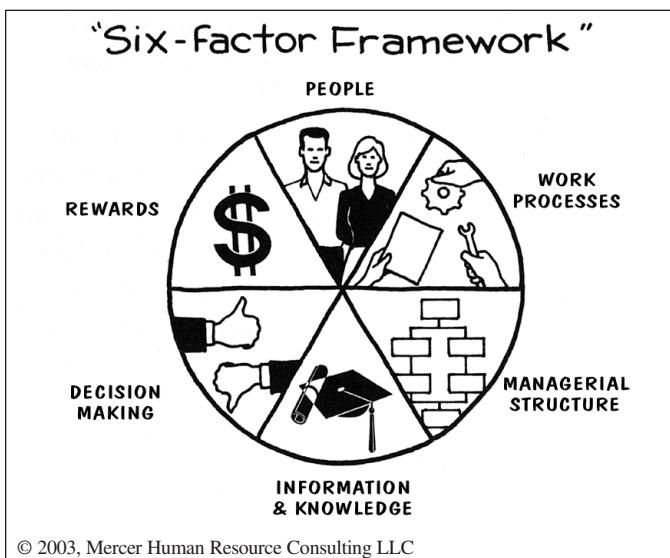
Your Human Capital

The combination of the human capital system with the company's market and business model creates two potent competitive advantages. Human capital practices remain relatively stable and endure longer than the effects of technology and financial capital. In addition, because of its unique context and goals, the human capital management system is difficult to copy. Other companies cannot co-opt "best practices" because they exist in their own system of interrelated practices and values.

In order to create the most value from the asset of human capital, ask the following questions:

- What are we actually spending on human capital (cost), and what is it buying us (value)?
- Are we sure our human capital strategy is aligned with our business design?

(continued on page 3)



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What Is Human Capital?

(continued from page 2)

● **What can we change in the way we manage people to generate greater returns by cutting, reallocating, or increasing investments?**

Typically these questions are answered — if they are asked in the first place — through historical storytelling, anecdotes, speculation or questionable “correlations.” Because they are so rarely asked, CEOs, investors and managers tolerate more variance in human capital investments than they would in other assets.

There are four barriers to resolving this problem:

1. **People are typically treated as an operating cost**, not a source of value creation.
2. **No one really owns the human capital issue**, or is focused on making strategic decisions about it.
3. **Practices and policies are made one at a time** and not connected as though they are part of a system.
4. Because of a long-standing lack of good internal measures, **companies rely on benchmarking** of another — usually irrelevant — company’s systems. ■

The Science of Human Capital Management

A fact-based science of human capital management — based on three core principles — has taken form to address the problems described in the previous article and allow companies to take full advantage of their work force.

Principle 1: Insist on Systems Thinking

The first principle of effective human capital management is systems thinking, or having an awareness of the connections that link organizational units, people, processes and behavior. Any major change in one area ripples through the larger system.

Systems are made up of interrelated parts, and the subsystems or elements of any system may operate with different degrees of interdependence. Changes in any subsystem are felt in other subsystems, so implementing changes in one part of the enterprise without making changes in other, related parts is a recipe for failure.

Every complex system is a web of causal connections and pathways, so the same end can usually be achieved through different means. Each system has an optimal route, and it may not be the same for different companies. Causal pathways also have feedback loops, which means that one practice has consequences for another, which in turn affects the first. Some of these strong pathways may be overlooked, usually because of overreliance on anecdotes or organizational folklore.

TechCo’s Interrelated Systems

TechCo is a real company with a fictionalized name. It designs and produces computer chips that constantly change to meet customer needs. Most components are adapted from previous designs, and delay is deadly, so the company must operate without tolerance for errors.

In the mid-1990s, revenue growth and shareholder value flagged, and the rising turnover rate of design engineers was at fault. The engineers controlled the development of new parts from past designs. Experienced, high-performing engineers with knowledge of past designs were leaving. The CEO tried changing everything from variable pay to training to screening new hires, but nothing worked because TechCo hadn’t identified the cause of the turnover.

After conducting statistical analysis of hard data, such as rates of movement through jobs, rates of promotion, employee financial gains, and outsiders hired into leadership, the following problems were discovered with the company’s interrelated systems:

Barrier to Advancement — At a certain job level, promotion was highly improbable for the best-trained engineers, so they left.

Misaligned Incentives — Variable pay and stock options, incentives best suited for risk-taking cultures, were used. But TechCo’s culture had a lot of direct supervision and intolerance for errors. Additionally, stock price was more affected by industry swings than company decisions.

Double Supervision — TechCo paid above-market wages to retain self-directed, goal-oriented people and then paid again for intense supervision and control practices.

Unintended consequences abound when there are so many interrelated parts and causal pathways. By understanding the dynamics of the organization’s systems and the way a planned change will impact the whole organization, they can be minimized. Also, remember that a company is a subsystem in the larger market context.

The nature of systems allows for some programs and practices that are implemented in combination to produce different outcomes than they would if they were implemented separately. The goal is to create a situation where the result is better than even the sum of the combined changes.

It is impossible to solve problems in systems by treating the symptoms. It is necessary to identify and attack the root causes by gathering quantitative data.

(continued on page 4)

The Science of Human Capital Management (continued from page 3)

Principle 2: Get the Right Facts

The second principle of human capital management concerns getting facts, specifically the right facts. Executives who refuse to spend a dollar on a new piece of equipment until they have studied all its costs and benefits will make multimillion-dollar decisions about people programs with little more than hunches or employee surveys.

Relevant and reliable facts are needed for good decisions. Facts from anecdotes are weak or unreliable. Facts drawn from benchmarking are generally stronger. Facts about cause-and-effect relationships have the greatest power, but they must have some analytical rigor behind them. There are several dimensions of facts that affect their power to inform.

The Say-Do Trap. Companies often rely on employee surveys, but what employees say is not always what drives their behavior. Just as marketers ask consumers what they would like and then measure actual buying behaviors, companies should also look at their employees' actions. Get the "right" facts by rigorously capturing perceptions and observing behavior. Consider the perceptions of both employees and the company itself.

Time Matters. Time is a key element of uncovering root causes of many human capital problems. Surveys provide a snapshot at a particular moment, but it's more important to see how fast or slowly issues important to employees are moving or changing.

Magnitude. To make good decisions about where to invest in human capital, know the magnitude of a pro-

Toyota and the Say-Do Trap

Toyota Motor Manufacturing North America believed pay and promotions were tied to performance. They also had training and career management programs to improve skills for promising individuals. They recently conducted an employee survey and found that collectively employees did not agree that pay and promotions were tied to performance, and they did not see payoff from the training.

However, analysis of those who received higher pay and promotions from HR data showed they did go to high performers. The data also showed that employees who accepted training were being promoted at much higher rates than those who didn't.

If Toyota had relied on what its employees said, it would have wasted time and money changing or eliminating human capital programs that worked well.

First Tennessee Finds Value

First Tennessee National Corp. is a financial services company that used sophisticated market analysis to understand its customers. It identified customer service quality as the foundation of its competitive position. Since customer service depends on employee interactions with customers, the company wanted to understand its customers too, so it used employee and business performance data and statistical modeling. It discovered that locations with the longest-serving, customer-facing employees performed best in key customer and financial measures. The company decided to increase average years of service to increase revenue and reduce turnover costs.

But as the bank looked at its human capital practices, it realized it was hiring more generalists at higher salaries than long-time employees who had the valuable firm-specific knowledge. Incentive pay mostly went to executives and commission-based salespeople, not customer-facing employees. As a result, the experienced, lower-paid but most valuable employees were leaving. The bank took the following steps to fix the problems:

- ✓ It ensured high performers had a clear path to growth (and long-term service).
- ✓ It extended pay-for-performance to more customer-focused employees.
- ✓ It started training to broaden the capabilities of the existing work force.

gram's effect and the improvement it will cause.

Inside-Outside Balance. Get facts from inside and outside your organization, but make sure that external facts are relevant. Often they can be misleading because other companies have their own say-do gap. Different terms can have different meanings to different people, so you may misinterpret data. In most cases, internal facts are the best guide on human capital issues because they should be based on your unique business model.

Principle 3: Focus on Value

In business terms, value is output minus the cost of producing it. Human capital is an investment with a stream of economic returns. When the benefits produced exceed the costs, the asset has produced real value. Every alteration in the asset has an effect on those returns, so actions — such as rotating people through positions; training; and reconfiguring pay and incentives — change the asset's potential to produce value. Even the personal choices of employees, which are affected by company policies, can influence value.

Unfortunately, most managers treat human capital as a

(continued on page 5)

The Science of Human Capital Management

(continued from page 4)

cost to be minimized rather than a value-producing asset. However, cost reduction is something any company can do. It is not a creative business decision, and there is also a natural floor. There is no ceiling on the potential value of human capital to a company's unique competitive advantage.

Sources of value include human capital attributes such as tenure, experience, reward systems, and staffing practices. To look at these attributes as increases in costs is short-sighted. In order to determine which attributes and practices drive value in an organization it is necessary to get the right facts. ■

For Additional Information about noise in discerning facts, go to:
<http://my.summary.com>

Human Capital Strategy Tools

Once executives understand the way to properly manage the principles of effective human capital management, they need to integrate those principles in the form of practical tools. Every executive must be able to use these tools to understand the organization's current work force and determine the type of human capital needed to support the business.

Defining Human Capital Strategy

The first step is to define the human capital strategy and make sure it is aligned with the company's business requirements. If a company changes its entire business strategy, it cannot assume HR will magically realign employees. It must consider what changes the new business strategy will require in human capital, whether the current work force has the right skills and experience to work in the new company, whether the company should change its hiring profile, and what training and rewards will effect the necessary changes.

Since human capital is an asset, human capital strategy is a form of asset management. It is a blueprint specifying all work force requirements and management practices needed to optimize business performance. Key work force characteristics have three dimensions:

Capabilities are the mix of knowledge, skills and competencies determining what the work force can do.

Behaviors are specific actions determining what the work force does.

Attitudes are the psychological propensities determining what the work force believes and values.

Together these characteristics define the work force and its productivity. Work force requirements reflect the uniqueness of business goals and therefore unique

Human Capital Drivers

- ✓ How people are selected and developed.
- ✓ How their work is organized.
- ✓ How they are supervised or directed.
- ✓ How information is developed and shared.
- ✓ How critical decisions are made.
- ✓ How people are motivated and rewarded.

human capital strategy. The existence of HR policies and practices does not constitute a strategy. They must also be consistent and mutually reinforcing.

All organizations have a human capital strategy, whether explicitly defined or not, and HR is not the only group responsible for it. Line managers and top executives also impact the strategy.

Each of these factors, alone and in combination, affects the work force and its ability to deliver value. Your organization needs to have a coherent and explicit human capital strategy that produces the right work force for the business and manages it in a way to optimize economic productivity. To determine this, you must compare your current work force capabilities and performance with what they should be. This process requires the use of Internal Labor Market analysis (ILM) and Business Impact Modeling (BIM).

Internal Labor Market Analysis

The starting point of a human capital strategy is a clear understanding of the current work force and what it is becoming. At any moment in time, a work force is the outcome of three interrelated labor flows:

Attraction. Who comes to the organization and whether they achieve the goals of the organization.

Development. How people move through the organization and how successful the organization is at nurturing human capital to execute its business strategy.

Retention. Who stays, who leaves, and whether those who stay produce the highest value.

These dynamics govern the labor transactions inside the organization, the system known as the "internal labor market." Changes in any part of the system affect the other parts, so the work force is always in flux.

Rewards that include compensation, benefits and career-related opportunities play a critical role in internal labor market dynamics. Rewards affect who is in the work force and how employees make choices. They signal what an organization ultimately values. Over time, an organization becomes what it rewards, so measuring and modeling the internal labor market must include a careful evaluation of the drivers of rewards.

(continued on page 6)

Human Capital Strategy Tools

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In order to understand and manage the internal labor market, it must first be described. Using HR information, an organization can forecast what the future work force will look like in response to changes in external conditions or management practices. ILM brings together the three principles of human capital management — system, facts and value — for a holistic view of the way internal labor markets operate and apply to business objectives. ILM analysis provides a fact-based platform for making essential decisions about human capital.

The first step is creating an internal labor market map — a graphic, quantitative picture that describes key dynamics related to the flow of people into, through and out of an organization over time. It displays where attributes of human capital such as experience and skill sets are concentrated. Every organization has a unique map, and it shows the number of employees at each career level and how they are moving.

TechCo's Labor Map

Insights from TechCo's labor market map (see below) include:

- A large population of engineers at Level 3, which is a career bottleneck or “choke point.”
- Employees at Levels 1 and 2 have a high probability of promotion, while others do not.
- Level 3 employees are leaving in large numbers.
- Hiring practices are at odds with the need for firm-specific knowledge.

In addition to maps, statistical modeling of the dynamic process behind a map reveals how and why internal labor markets work. Statistical analysis can show drivers of turnover, promotion, lateral movement, compensation and individual performance. Statistical models rely on a common set of independent variables:

Employee attributes — Demographic and job-related characteristics measured at the individual level.

Organizational attributes and practices — The immediate environment in which employees work, and management practices that affect those measures.

External influences — Characteristics of the market environment in which the facility operates.

Modeling can determine how factors such as length of service in the firm and educational attainment affect the likelihood that an employee will leave in a particular year, all else being equal. It can also determine how changing labor market conditions influence pay levels of both incumbents and new hires. Knowledge of these interdependencies can prevent an organization from wasting resources on one-size-fits-all solutions and direct interventions where they are needed most.

Building Your Strategy

Human capital strategy is about the future and it depends on three questions:

- Where are we now?
- Where do we want to go?
- What creates value?

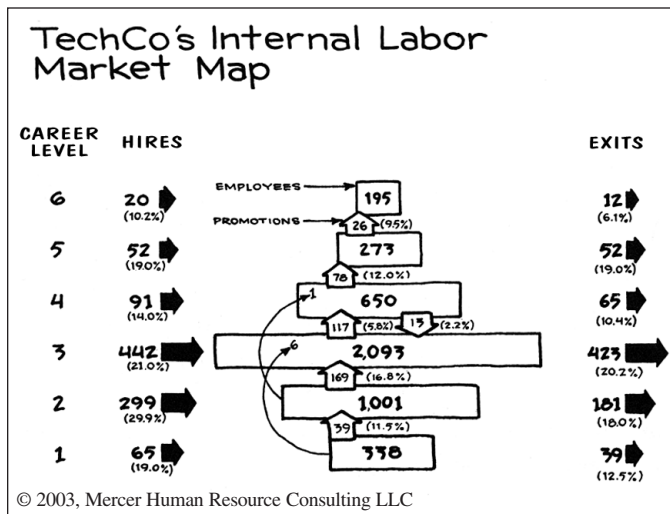
It determines where a company needs to be while closing the gaps between that goal and where it is now. Quantitative ILM analysis helps in determining the current state, but it should be supplemented with facts from focus groups, surveys and employee interviews.

Business Impact Modeling

ILM can also be used to define the future state of the desired strategy, but another way is Business Impact Modeling (BIM). It is a quantitative analysis of the running record of business performance to identify the work force characteristics and management practices that are the strongest drivers of the company's most desired and important business outcomes, such as productivity, profitability, quality and customer retention. It helps to discover the human capital drivers of value. BIM uses statistical analysis to focus on business outcomes where ILM focuses on work force outcomes. It is similar to ILM but it draws on a broader source of data. In addition to HR information and payroll systems, it draws on data kept by the finance, quality control, marketing and operations departments to provide measures of business performance.

BIM and ILM emphasize the importance of facts and their interrelationships through statistical models of work force and business outcomes. The statistical models are usually more accurate than an executive's opinion.

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For Additional Information on Internal Labor Market Analysis, go to: <http://my.summary.com>

Human Capital Strategy Tools

(continued from page 6)

ions based on his or her experience, because they are consistent and objective where people are less so. Though experience is critical, it is insufficient to use without statistical analysis in the strategy-making process.

Building Human Capital Strategy

1. Know where you are. Use ILM analysis and qualitative data to ascertain facts about the current work force and work force management practices.

2. Project the future. Build a picture of where the organization should go and determine the human capital

implications of strategy changes.

3. Find the value. Use BIM to identify human capital attributes and practices that create the greatest value.

4. Close the gaps. Identify the most important differences between “is now” and “should be,” and protect the current sources of value.

5. Design the interventions. Using ILM to identify viable solutions and BIM to estimate investment returns, design specific features of changes to the work force and ways to manage them.

6. Implement with accountability. Use metrics to focus implementation efforts. ■

ProCo Changes Its Strategy

ProCo was a diversified consulting company with stable profitability and expertise in mature markets. The CEO wanted to grow the company by strengthening relationships with profitable clients and aggressively tapping synergies like cross-selling and developing new services for customers. The company knew it needed a human capital strategy to support the new business strategy.

First, ProCo conducted an ILM analysis to answer questions about the current work force:

- ✓ **What are our key skill sets?**
- ✓ **Can we develop and retain people with those skills?**
- ✓ **How do we attract the right people?**

Next, the company addressed the future state and realized they needed more people who could work across specialized functions. It also decided to build talent from within.

The company could see there were gaps between their current and desired work force:

- ✓ **Generalists were not promoted or rewarded.**
- ✓ **The company hired experienced mid-career professionals who often left.**
- ✓ **Younger people were leaving because they were not getting enough money.**

ProCo then used BIM to determine which human capital attributes and management practices were critical to the success of its business strategy and which staffing configurations drove revenue growth.

- ✓ **Teams of employees with mixed experience were most effective at driving revenue.**
- ✓ **Team member turnover detracted from revenue growth.**
- ✓ **Teams composed of employees from different services were more likely to expand client relationships than those focused on a single service.**

Applications of Human Capital Management

Once a new strategy has been determined, the job is not over. The history of business is full of failed strategies and implementations. Though these failures can be based on poor financial foundations, disturbances in the marketplace, or countermoves by competitors, they come more often from the people side of the business.

Though it is easy to blame people for not changing with the strategy, management must realize that people are part of a system. If the institutionalized practices and incentives have not changed with the strategy, the people will not change either. Even if a company uses recruiting and training to produce new skills, it could take years before the impacts are felt. These considerations should be built into the strategy design from the beginning. If the competitive environments shift, the organization should also go back and challenge strategy and human capital practices. Executives should also consider what blend of firm-specific and general skills is required.

Human Capital in Strategic Acquisitions

Though business leaders are always optimistic about strategic acquisitions, that optimism is not rooted in reality. Anywhere from 50 to 80 percent of acquisitions never deliver the anticipated benefits, and much of the cause is problems with human capital. Due diligence usually focuses on measurable characteristics, but rarely is due diligence done on the human capital of the acquired entity. Acquisitions cannot be made without considering what kind of integration will occur.

Decision makers must do three things:

- 1. Know themselves, the target, and their differences.**
- 2. Estimate the potential scope of integration.**
- 3. Recognize the appropriate integration pace.**

(continued on page 8)

For Additional Information about how culture can impede change, go to: <http://my.summary.com>

Applications of Human Capital Management (continued from page 7)

The factors of the acquisition's work force capabilities and management practices must fit with the company or an appropriate plan for that integration must be made. As decision-makers do this, they must consider the three principles of human capital strategy: Be conscious of the system impacts of the integration; base integration decisions on relevant facts beyond hunches; and select the course of action that will create the greatest value.

Linking to Customers

Companies almost always give a greater depth of analysis to their customers than their human capital. It has been felt for some time that employee satisfaction causes happy, spending customers. But evidence suggests this may not be true. It might be that employee satisfaction is actually a result of happy customers, and that the business practices that make happy employees may make happy customers. If satisfied customers make happy employees, then programs focused at employees are not creating the greatest value. Focusing on customers would be better. But it is still part of a system, so management should concentrate on getting the whole system in alignment.

Human capital practice must also be aligned with the broader business context and the external market, where business risk is a factor.

Companies often introduce variable pay programs as incentive mechanisms, but they are actually instruments of risk sharing, since employees don't benefit if the company is not doing well. Incentive programs are actually problematic because they usually only account for the price and allocation of labor services, not the price and allocation of the risks associated with performance fluctuations. Variable pay and stock options align the employee and the stockholder, even though performance volatility may be the result of random, external forces. Shareholders and employees are not equally positioned to deal with this risk. Variations in share price arise from systematic — market and industry — risk, or unsystematic, firm-specific risk. Investors can diversify across markets and portfolios and reduce both kinds of risks, but employees cannot. This makes it difficult to find a way to share risk effectively.

Performance Sensitive Analysis (PSA) is a proprietary statistical method that identifies and measures these different sources of volatility in a company's total shareholder return. It measures the correlation of a company's shareholder return with indexes of both industry and general market performance over a designated peri-

od. It can be used to develop better risk-adjusted measures of performance for incentive compensation programs that provide stronger performance incentives for employees at a lower cost to shareholders. ■

For Additional Information on how investors and employees differ in their ability to diversify risk, go to: <http://my.summary.com>

Implications for Stakeholders

With their confidence shaken, investors are increasingly demanding that corporations disclose information about the performance of their largest annual investments. Human capital is a large part of the intangible assets that make up the difference between the book value and the market price of a company. The employees' knowledge and their management system together create an asset that is difficult to control and measure.

No single method has gained acceptance in the investment community, so until companies move forward with fuller disclosure, investors should look for three kinds of human capital information:

Knowledge-Based Information — What are the skills, experience and educational credentials of employees?

Workforce Investments — What investments are put into the work force and what is the return?

Use of Human Assets — How is a company applying supervision, talent development and rewards?

In order to provide improved business results through this new science of human capital, executives will have to expand their traditional roles in a company.

The **CEO** must optimize long-term value of human capital by treating employees as investments instead of expenses, constantly aligning people practices with business strategy, being aware of differences in human capital when making acquisitions, and making the story of a company's people a part of investor relations.

CFOs must learn to measure and monitor their largest investment like they do everything else, so they consider the value of human capital when making decisions.

HR must become part of the strategic circle rather than a cost center that only handles payroll and personnel records. HR can identify the true performance drivers, model interactions between programs and employees, forecast impacts of proposed programs, and identify how to make cuts without hurting performance.

Marketing can apply its tools for understanding customer behavior to understanding employees, because customer changes have implications for human capital.

Quality Assurance maintains excellent data on the causes of poor quality, which can often be traced to people and the way they are managed. ■

For Additional Information about the forces for and barriers against integration, go to: <http://my.summary.com>

· Book 22 of 46 ·

Summary



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Human Resources:
Recruiting & Retaining

Deciding Who Leads

How Executive Recruiters Drive, Direct & Disrupt the Global Search for Leadership Talent

THE SUMMARY IN BRIEF

In *Deciding Who Leads*, recruiting expert Joseph Daniel McCool takes readers inside the secret world of executive recruiters, the most influential and elite group of management consultants operating in business today. The author reveals how senior management recruiters influence executive compensation, workplace diversity, high-profile CEO succession, business management, culture, profits and the very definition of leadership itself.

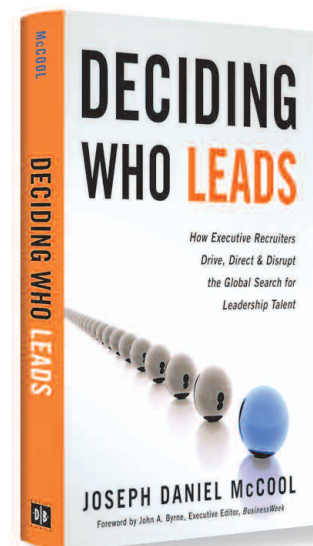
McCool unveils the truth about the power, influence and dysfunction that rule the stealth business of leadership recruiting. With an investigative journalist's eye, McCool probes the recruiting practices and experiences of some of the world's leading businesses — from the Coca-Cola Co. to Booz Allen Hamilton to Emirates and Disney — to illustrate the role and impact of search consulting.

McCool also offers seasoned advice to companies about the true cost of a bad executive hire, the need for an in-depth executive orientation program, why partnering with executive search consultants is essential and how to adopt best practices for senior management recruiting.

Deciding Who Leads offers an authoritative and compelling look at the new rules of engagement, identifies strategic priorities for hiring organizations, and offers tactical advice for making the most of executive leadership recruiting and management succession.

IN THIS SUMMARY, YOU WILL LEARN:

- Why it is more important than ever to scour the globe for senior management talent.
- How executive search consultants shape the culture and performance trajectory of client organizations.
- What The Walt Disney Co.'s dispute over CEO hiring revealed about the ways large companies address management succession.
- How to calculate the direct and indirect costs of a bad executive hire.
- Why executive "onboarding" is the single most important way to avoid executive-level rejection.
- The essential questions to ask about qualifications, processes, and procedure before engaging a search consultant.



by Joseph Daniel McCool

CONTENTS

The Global War for Executive Talent

Page 2

Reengineering Executive Search and Management Succession

Pages 2, 3

Disney's Executive Decision

Pages 3, 4

The New Leadership Mandate

Page 5

The True Cost of a Bad Executive Hire

Page 6

The Intersection of Executive Search and Executive Onboarding

Pages 6, 7

Best Practices for Senior Management Recruiting

Pages 8

THE COMPLETE SUMMARY: DECIDING WHO LEADS

by Joseph Daniel McCool

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For additional information on the author, go to <http://my.summary.com>

The Global War for Executive Talent

Deciding who leads is the most important challenge for organizations the world over, because the recruitment of senior executive management has the greatest bearing on the change that drives their financial performance. Executive search consultants, often called “headhunters” or “executive recruiters,” are the ones who make it happen, because organizations frequently turn to them to find new leadership.

It has become increasingly clear that the victors in the war for executive recruitment, development and retention will win in the global marketplace. The capacity to conduct business globally rests on individuals’ willingness to follow opportunity and adapt to a new environment. These days, opportunity attracts leaders like a magnet, no matter what the longitude and latitude.

The Leadership Crunch

The leadership crunch will be especially acute at the senior management level. Many companies face the stark reality that a majority of their senior executives could retire *now* and that their leadership bench strength is weak in some functions and business units. Others know that they’ve identified successors for only a small percentage of the most critical senior management jobs.

The mandate to lead increasingly global organizations — and companies’ realization that they’ll be unable to develop senior management capacity fast enough to keep pace with the challenges and competitive threats posed by the global marketplace — will lead many organizations to reexamine their approach to recruiting top executives.

Outside Recruiting

Going outside the organization for an executive search can lend new vision, leadership and energy to a senior management team, an operating unit or the company as

a whole and so presents a rare opportunity to strengthen the organization, introduce change and otherwise elevate corporate performance.

Executive search is often the only way hiring companies can attract and recruit the senior management they need. Corporate reliance on the external leadership talent market is critical to change management, performance improvement and management succession.

Executive Recruiters at the Crossroads

Executive recruiters are the ones who collectively plan, orchestrate and profit from executive career movement and corporate leadership transition. Standing at the critical intersection of management succession, executive recruiters collectively facilitate more than one-third of all six-figure executive moves and more than three-fourths of the highest-profile CEO transitions around the world.

Business leaders have come to know that executive recruiters can help them probe the external talent market and also see their own organizations — their strengths, their weaknesses and their unique culture — from a different perspective. ●

Reengineering Executive Search and Management Succession

Because executive recruiters drive, direct and disrupt the global search for leadership advantage, they can be both builders and destroyers of organizational culture, earnings, teams, product delivery schedules, customer relationships, R&D, momentum and succession plans. They shape the culture and performance trajectory of organizations as no other outside advisers to management can.

Executive recruiters have long shaped corporate employers’ views of the supply-and-demand dynamics of the executive labor market because theirs are the voices,



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Rebecca S. Clement, Publisher; Sarah T. Dayton, Editor In Chief; Melissa Ward, Managing Editor; Christine Wright, Senior Graphic Designer; Barry Silverstein, Contributing Editor

Summary: DECIDING WHO LEADS

perspectives, experiences and opinions of the free market economy. What's more, these executive search consultants find themselves in an especially influential role when it comes to either accelerating or de-escalating the migration of executive talent. This has huge implications for corporate earnings.

It's really no wonder that the work of executive search consultants has helped maintain the status quo and extend the power of the "good ol' boy" network. It is easier for search consultants to recruit someone who looks like the person who agreed to retain them than to challenge the job specifications by questioning whether the organization is sufficiently diverse. In the consultants' defense, this failure to diversify is equally the failure of entrenched business leaders, who refuse to consider any candidate who hasn't already held the same title with another employer.

Unrealized Potential

The real paradox in the work of executive search consultants is that while these consultants have presided over and choreographed an important process that has them deciding which candidates to introduce to client employers, they've largely failed to fulfill the potential of playing such a critical role in deciding who leads.

Much of the problem stems from one fact: Despite offering a service grounded in organizational change and based on locating leaders who can create positive change, executive search consultants the world over almost universally get an unsatisfactory grade for their unwillingness or inability to see why they, too, must change.

The Search for Leadership Advantage

Shouldn't all that's expected of today's leaders also be expected of those who recruit them? With the growth and development of a new generation of senior management recruiters should come the expectation that those engaged in the business are equal to or better than those they are engaged to recruit.

The challenge for today's executive search consultant, as it has long been, is to build relationships with corporate employers by serving as their ambassador to potential six-figure-salaried recruits and then to elevate those relationships to the point where the consultant won't be tempted to leverage the benefits of such privilege by recruiting people out of the organization.

The Supply and Demand of Executive Talent

The market for senior business executives is seriously inefficient, which is why corporate employers often fear executive search consultants and some even retain them simply and solely to prevent their luring away top talent. This market is driven mostly by forces external to the employer organization, and as noted, it is rigged to favor

the selection of people who already hold or have held the same title in a similarly sized organization.

Beyond what executives are paid, says Peter M. Felix, president of the Association of Executive Search Consultants (AESC), the work of executive search consultants to facilitate executive mobility is a hallmark of the free market economy. "Executive mobility is crucial to a dynamic economy since it unleashes talent that might otherwise be constrained and promotes the cross-fertilization of ideas and creative thinking," Felix says.

Mandate for Change

Consider the findings of one recent search profession survey: Only 46 percent of the corporate leaders who had retained executive search consultants said they were fully satisfied with the outcome of their work.

Part of the blame should be shouldered by the executive search consulting community, because its members have almost universally failed to demonstrate how either the tenure or the performance of an externally recruited executive compares to that of one promoted from within. But part of the blame must also be laid at the feet of the legions of corporate executives who bring to the process of selecting and retaining search firms their own misperceptions, biases and agendas. The bottom line is that executive recruiters and the corporate leaders they serve need to reassess how they do business with one another and find consensus on what leadership really means to shareholders, employees and customers.

Over the Horizon

Executive search consultants and senior management staffing executives who work for the corporation should be strategic allies when it comes to meeting the organization's current and future leadership needs. But that partnership, which to date has largely failed to bridge the inherent divide between outside experts and well-qualified employees, won't have a chance to grow unless (1) HR is made a strategic partner in the company's future growth, and (2) search consultants develop the kinds of metrics that clearly demonstrate the return on corporate investment in their work and help HR make the case for continued investment in the people side of the business. ●

Disney's Executive Decision

In preparing to take the reins of Disney leadership from outgoing CEO Michael D. Eisner, CEO-in-waiting Robert A. Iger (who previously served as the company's president and COO) went on a sensible and high-impact charm offensive aimed at soothing lingering tensions within the company. But it was Iger's diplomatic efforts to broker a truce with dissident shareholders-turned-

Summary: DECIDING WHO LEADS

plaintiffs Stanley Gold and Roy Disney that ended the duo's shareholder lawsuit.

In a ruling that cleared the way for the lawsuit, the judge established that "plaintiffs have alleged facts suggesting that the company's board did not go about the process of searching for a new CEO with 'open minds,' without prior determinations and giving 'full consideration' to external candidates. ... Should these allegations be proven, plaintiffs could be entitled to the relief they seek, because the board's statements materially misled plaintiffs with respect to the board's intent to conduct a *bona fide executive search process*."

Bona Fide Executive Search Consulting

The Disney directors understood that their interest in conducting a "thorough and professional selection process" required that executive search consultants be a major part of the game plan. Why the need for executive search consultants? CEOs (and, increasingly, corporate legal departments) often prefer to keep the job of lifting executive talent from the competition in the hands of a capable recruiting professional who is off their corporate payroll.

The decision to promote from within or tap search firm databases is usually a matter of determining whether inside talent is up to the job. It may also be a question of whether significant structural, political, cultural or symbolic change — better led by a currently unaffiliated outsider — is required.

The use of a consultant is best reserved for those situations when an executive-level job can't be filled by the promotion of a current employee. All too often, however, businesses engage consultants as a first option. Others engage consultants to benchmark the quality of internal executive talent and affirm and legitimize a promotion from within — like the one that put Iger in charge of The Walt Disney Co.

"The Mice on Disney's Board"

In an op-ed piece titled "The Mice on Disney's Board" in the March 17, 2005, *Los Angeles Times*, Roy Disney and Stanley Gold wrote, "Disney directors promised shareholders 'a thorough, careful and reasoned process to select as the next CEO the best person for the company'" — a process, they added, that "should include full consideration of external candidates."

Disney and Gold raised the stakes for Disney and its shareholders when they sued the company and certain members of its board of directors on May 9, 2005. The executive search consultants who were hired to coordinate that search now faced the prospect of having the private details of their work for Disney — and, by extension, their profession — exposed to the light of day and the peering eyes of jurors for the first time ever.

The executive recruiters were to be subpoenaed as part

of the pretrial discovery process, and they were well aware that their depositions regarding their roles in the Disney CEO search would expose their private records.

A joint public statement issued by the company and the former dissidents on July 8, 2005, silenced what had become a bitter dispute, and it served as a testament to Iger's leadership. But it also left many questions unanswered. The case raised questions about the state of corporate governance and the role of executive search consultants: Who should be given the opportunity to lead and why? What roles *do* the outgoing CEO, the board of directors and the company's chosen executive search consultants play in the selection of an organization's new leader?

The answers to such questions carry implications that touch a wide range of issues, but the settlement was good news for The Walt Disney Co., its employees, its shareholders and its brand. It was also good news for the executive search consultants who had been retained by the company, because it meant they wouldn't have to tell all in a courtroom. ●

The Headhunters' Identity Crisis

The truth is that executive search consultants have a serious image problem, and many of them don't even know it. The executive search consulting business is filled with paradoxes. For example, those who rank among the world's most image-conscious businesspeople can also, collectively, count themselves among the most image-challenged. Executive recruiters are both highly regarded and widely disparaged, for reasons both deserved and undeserved.

Given their deft, delicate and compassionate handling of the executive-level job candidates in whom their clients show the most interest, it is also a paradox that they so callously mishandle and even abandon so many of those who entertain their overtures regarding potential career opportunities but are not ultimately selected.

The Trouble With Headhunters

High on the list of identity problems for executive search consultants is that they are saddled with the term *headhunters*. The term does not suggest the civilized work of extraordinarily polished market-facing recruitment advisers to corporate management.

That moniker does greater damage to their group identity and does more to diminish their usually impeccable individual credentials than most executive search consultants have ever realized. The identity crisis that has long dogged executive search consultants and gradually morphed into an image problem has at least part of its genesis in the environment that executive search consultants have created for themselves.

Summary: DECIDING WHO LEADS

Transaction Versus Strategic Recruitment

There is a key distinction between retained executive search consultants and contingency recruiters. The product offered by the vast majority of contingent-fee search work is an active job seeker, whereas that in a retained executive search assignment is almost always a gainfully employed and, quite often, sought-after executive who was effectively converted into a passive candidate for an executive position. The difference between a contingency headhunter and an executive search consultant seems to resemble that between a salesperson and a “strategic accounts executive.” ●

The New Leadership Mandate

Executive search consultants are often agents of change for organizations, and it's when the future course of a company's strategy is at risk, under attack, or otherwise subject to uncertainty and doubt that the true value of managerial leadership reveals itself.

Executive Recruiters as Influencers

A postmortem on some of the scandals that have brought down powerful leaders in recent years reveals that a single common denominator often explains their behavior: greed. Greed is one of the invisible character dynamics that can, and regularly does, influence executive decision making.

It's painfully obvious that some of the highest-profile business leaders of our times appear to have been motivated by the quest for unprecedented personal wealth. It may be time for those engaged in the recruitment of senior executives to begin assessing candidates not only for their talents but also with an eye toward weeding out the greedy.

Executive recruiters occupy a unique position from which to intervene in, or at least to influence or advocate for a resolution of, what many corporate customers and shareholders would describe as unreasonable executive compensation.

With more and more organizations demanding an informed outsider's read on executive leadership candidates' ethics, moral compass and motivations, executive search consultants would be well-advised to interview and assess for greed, and perhaps for other character flaws.

What Leadership Always Looks Like

Rodman L. Drake, a former strategy consultant, once framed the demands of corporate leadership and specifically the CEO role this way: “The successful CEO changes the direction of an enterprise and gets it to move toward his vision. A CEO brings about change through a complex combination of building support and consensus, sequencing decisions, decreasing uncertainty through better-quality information and developing an

To-Do List for a Leader in the 21st Century

- Become emotionally connected to your people, but take emotion out of hard decisions.
- Master the details without getting entangled in them.
- Grasp the opportunity to influence others and know how you should and shouldn't be influenced.
- Learn from mistakes, but acknowledge that future decisions will include other missteps.
- Embrace the art of genuine apology and know when and how to practice it.
- Spread organizational passion and momentum, and be accountable for changes in course.
- Develop a reputation for toughness and fairness.
- Make a good first impression with employees and customers and build lasting impressions.
- Lead by example and understand how it affects the motivation and behavior of others.
- Give others the opportunity to lead and learn more about what inspires followers.

acute sense of timing.”

Also consider the ways in which the emotional intelligence quotient, or EQ — perhaps even more than traditional IQ — has become something of a baseline from which recruiters might judge an individual's fitness for leadership.

The role of effective communication can't be overstated in defining the challenge of leadership or, for that matter, of leadership recruiting. It's the communication and meaningful expression of good will; the earnest concern for one's constituencies; and the candor, compassion and hard work that come with the job that, collectively, contribute to what has become known as servant leadership.

The Way Forward

The best decisions about leadership are made with input from those who will report to the new leader. Servant leaders know to ask for advice, listen intently to it and, in the process, pay respect to employees and come away with a more informed view of what must be decided.

Today's leaders must surround themselves with the best and brightest management executives and then act to develop and retain them, in part because it has become both an organizational and a career mandate.

It is the responsibility of leaders to drive their competitive advantage through human capital. The best leaders are some of the best recruiters because they understand how a positive attitude, raw talent and determination, cultural sensitivity, and a willingness to respect and learn from others can help individuals overcome almost anything to achieve great things for themselves and those around them. ●

The True Cost of a Bad Executive Hire

If companies calculated the total cost of bad executive recruitment decisions — and the organizational breakage that ensues — they would surely work much more diligently to prevent them and to partner effectively with executive search consultants.

The true cost must be tallied in time and opportunity lost; organizational resources expended; and harm done to organizational morale, productivity and reputation, a disaster that may require a long-term organizational recovery process. It simply doesn't take long for the wrong executive to lose your company a lot of money.

Diagnosing Organizational Breakage

While the impact of a bad executive hire on an organization can be enormous, it's important to point out that a leadership recruiter's simple mismatch of an individual and an employer can also cause significant damage to the career and reputation of the executive concerned. However, neither the executive nor the executive search consultant should consider a mismatch a fatal or career-ending experience, unless it emerges as part of a pattern of misalignment with employers or clients.

Executive search consultants are paid to introduce candidates who bring a unique shape or puzzle piece to the hiring organization's cultural, social and political mosaic. Sometimes they get it wrong, perhaps because of their rush to judgment or human factors outside their control.

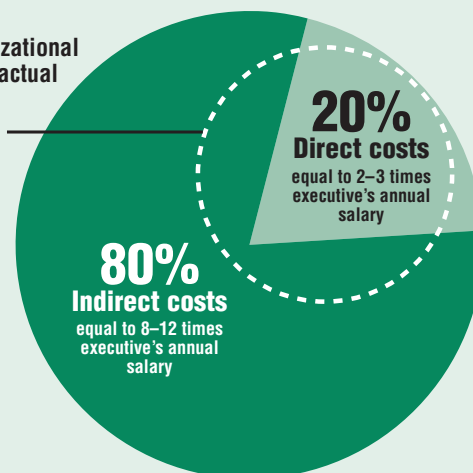
Calculating the Cost

Estimates of the cost of a bad executive hire have ranged from three to five times the misfit executive's annual salary up to hundreds of times the value of that same six-figure management salary. It is possible to deconstruct the process that led to the recruiting misfire and calculate the costs incurred in recognizing the problem, dealing with it, and restocking the team with a new leader or key executive-level contributor. The decision to hire the wrong person has direct costs (the sunk costs or wasted institutional resources that are easiest to measure) and indirect costs (which are both more significant and more difficult to recognize and account for).

What far too many companies fail to realize is that the full direct costs of a bad executive hire typically amount to between two and three times that individual's annual salary, and that this figure accounts for only 20 percent of the total damage done to the organization's performance. The indirect impact — measured in reduced performance, opportunity cost, energy and resources wasted, and good will squandered — combine to cost the organization between eight and 12 times the misfit execu-

Deconstructing the Total Cost of a Bad Executive Hire

Typical organizational perception of actual costs of a bad executive hire



Direct costs include:

- The cost of the executive's initial recruitment and total compensation.
- The cost of extraction, or removing the executive.
- The cost of replacing the misfit executive.

Indirect costs include:

- Disruption of unit performance and customer relationships.
- Loss of unit and leadership productivity.
- Loss of potential opportunities.
- Management-level churn and turmoil.
- Loss of good will with high-performing employees.

tive's annual salary. These indirect costs amount to the other 80 percent of the toll a bad executive hire takes on organizational performance.

The higher up the organizational hierarchy a mishap occurs, the higher the cost. The cost of hiring the wrong C-suite executive can debilitate an organization. ●

The Intersection of Executive Search and Executive Onboarding

If you want senior management executives to contribute faster, perform better and stay longer, make a commitment to get them started well in their new leadership role.

The Case for Onboarding

Onboarding, as the name implies, constitutes a learning exercise of coaching and performance feedback appraisals executed soon after a management job offer is accepted, soon after an executive's start date or both. Research by RHR International, a leader in executive and organizational development, suggests that full integration takes between 12 and 18 months as the executive moves (and

Summary: DECIDING WHO LEADS

faces new challenges) through four states of integration, from honeymoon to reality to adjustment and then, finally, to full integration.

Onboarding informs a new executive's perspectives about the new employer's workplace culture, corporate strategy, key influencers and decision makers, productivity traps, and early identifiable wins. It goes beyond mere orientation, giving the executive valuable feedback about perceived strengths and weaknesses from a variety of constituencies, perhaps including the board, the CEO, key shareholders, executive peers and subordinates.

The intent is to help new executives gauge the organization's early read on their management style, rectify any problems or misconceptions about their intentions and priorities, and otherwise accelerate progress on strategic goals that are aligned with the interests of the board, the CEO and other key stakeholders, and with their own performance assessment milestones.

Avoiding Executive-Level Rejection

Think of onboarding as a 21st-century form of executive employee orientation to the people, projects, priorities, and cultural identity and nuance that defines the rules of engagement and the workplace environment for an organization and for a particular role. But also think of onboarding as an essential step to avoid executive-level rejection.

All too often, without the support of an effective onboarding program, new executives don't even realize they are in trouble or out of step with the boss, peers or board until the moment they get fired.

It's far better for an executive search consultant, the hiring manager or a senior HR executive to maintain that the onboarding program — in whatever form — is an organizational expectation that the executive can't simply choose to avoid. Setting the expectation up front helps the employer clearly communicate its commitment to a win-win situation.

Putting Onboarding Into Practice

New executives are under pressure to perform from day one, if not before then. Kevin Roche, who has held senior HR positions over the course of his 20-year career, says an executive's 100-day onboarding plan should address short-term goals related to business continuity, strategy, organizational structure and execution against that strategy. ●

Partners in Leadership Recruiting

HR executives and executive search consultants frequently fail to work as effective partners to solve strategic business challenges. Sometimes the two groups achieve partnership, cooperation and respect, but sometimes the

relationship is characterized more by conflict, marginalization, enmity, boundary clashes and mutual disrespect.

• **HR from the executive search consultant's perspective:** Executive search consultants believe they are far more attuned than HR to the issues (especially external market forces) that are pressuring the organization to shift its priorities and investment in business planning.

• **Executive search consultants from the HR perspective:** Many HR professionals resent executive search consultants for what they promise but fail to achieve; for their access to senior management; and for the arrogance, greed, self-absorption and pretentiousness that more than a few recruiters radiate.

Janet Jones-Parker, former president of the Association of Executive Search Consultants, says, "In-house recruiting teams and external search consultants need to find the path to partnership so that assignments which are conducted externally are well-managed through a continuous flow of information and feedback."

The Executive Recruiting Cycle

The executive recruiting cycle extends from job specification setting and search strategy through the selection and engagement of a search firm or the assignment of an internal recruiter to lead the search to candidate sourcing, assessment, reference and background checking, and eventually to final negotiation, making an offer of employment and onboarding the new executive. ●

For additional information on best practices related to executive onboarding, go to: <http://my.summary.com>

Executive Search as the Key to Leadership Diversity

The lengths to which executive recruiters will go to advocate the recruitment and eventual hiring of more highly qualified women and minorities and also to hire more diverse business professionals into their own firms will in large part set the pace for any future transfer of corporate authority to a new, more inclusive and perhaps more globally sensitive generation of corporate leaders.

Cracking the Glass Ceiling

Women's leadership abilities and their growing influence in the global economy should combine to add a more few cracks in the glass ceiling. But that barrier will not be shattered until more of the older white men who control the vast majority of corporate interests around the world make more of a leadership investment in people whose backgrounds, experiences and lives do not mirror their own.

Demographic shifts alone will gradually help break the

Summary: DECIDING WHO LEADS

glass ceiling, as women, cultural minorities and generally younger executives replace men from majority social and racial groups.

Many of the world's best executive search consultants are women. They have demonstrated that women can succeed in executive search, and they are mentoring younger women as they build their own search careers.

While women have made impressive strides in executive search (at least in North America), the same can't be said for minorities, who continue to make up a very small number of the partners and consultants of most executive search consulting firms.

Deciding who leads is a critical task shared by executive search consultants and their client organizations, but deciding who should get a chance to contend for a top corporate job rests mostly in the hands of the searchers. That's why it's extremely important that women and minority search consultants urge other women and minorities to consider a career in the field.

Corporations must realize that search firms' demographics may skew candidate slates or limit their ability to connect with top diversity candidates. ●

How to Engage Executive Search Consultants

You have to apply a rigorous and easily repeatable process to evaluating executive search consultants. What really matters, especially for organizations that say they're committed to diversity and recruiting from broader pools of leadership talent, is whom the executive searcher can and cannot call. Every organization that engages an executive search consulting firm should know about its chosen recruiting partner's off-limits or hands-off policies.

Off-limits or hands-off safeguards are essentially promises not to recruit management talent from a client organization so long as it is a client or, in many cases, for a period of time after a search firm's last assignment on behalf of that employer.

Ask Before You Engage

It is necessary to research a search firm's experience, reputation and capabilities as well as those of the individual consultant who'll actually be leading your next executive search assignment. So ask before you hire. Key questions include consultant qualifications and consultant process and procedure. Conducting due diligence on the selection of an executive search firm will reduce the risk of hiring the wrong firm, increase the likelihood of partnering with a firm that can offer extensive access to the executive talent market, and otherwise pay significant

dividends when the newly recruited executive starts to meet and exceed key objectives. ●

For additional information on key questions to ask before you engage a search consultant, go to: <http://my.summary.com>

Best Practices for Senior Management Recruiting

Effective senior management recruiting is the lifeblood of organizational change — and an especially powerful engine for growth. Employer organizations must discern that the payoff on executive recruiting is potentially without limit when it supports an ongoing commitment to achieve and sustain a competitive market edge by creating a clear leadership advantage. That's what makes the following best practices genuinely timeless.

- Understand that culture sets the table for senior management recruiting.
- Always look for an internal successor before you search outside.
- Seek referrals to maximize succession planning and clarify the search assignment.
- Insist that your executive search consultant reinvent the candidate experience.
- Know how executives succeed in your organization and recruit for its distinct leadership requirements.
- Commit to executive onboarding.
- Measure the performance of executive search consultants.
- Understand why it takes a village to recruit a new CEO.
- Build the leadership pipeline by deploying global talent scouts.

More than anyone else, it is the executive management leaders of an organization who shape the tone, moral example, mission statement, strategic priorities, expectations and working conditions that define the experiences of employees, customers, shareholders and the legions of others touched in some way by the enterprise. ●

RECOMMENDED READING LIST

If you liked *Deciding Who Leads*, you'll also like:

1. ***The War for Talent*** by Ed Michaels, Helen Handfield-Jones and Beth Axelrod. According to the authors, employers must develop talent through the efforts of every leader in a company.
2. ***The New American Workplace*** by James O'Toole and Edward E. Lawler III. The 1972 Work in America task force set the stage for groundbreaking changes in the quality of work life for decades. But the results of such changes in today's workplace conditions have created a whole new set of issues and challenges.
3. ***The Enthusiastic Employee*** by David Sirota, Louis A Mischkind and Michael Irwin Meltzer. Drawing on detailed case studies and employee attitude surveys from hundreds of companies, the authors describe a dollars-and-cents business case for high employee morale.

· Book 23 of 46 ·

Summary



The Inclusion Dividend

Why Investing in Diversity & Inclusion Pays Off

THE SUMMARY IN BRIEF

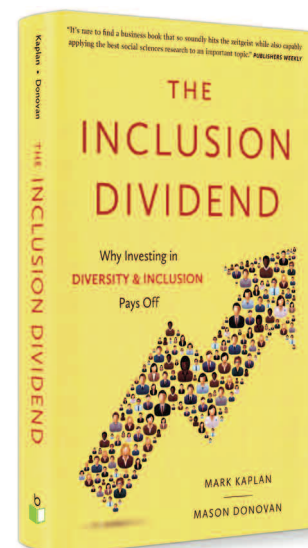
With the increasingly diverse, global, interconnected business world, diversity and inclusion (D&I) has become a core leadership competency and a central factor in the success of business. Diversity and inclusion is no longer simply “the right thing to do”; rather, it is a key component to a successful business today.

Working effectively across differences such as gender, culture, generation, race and sexual orientation not only leads to a more productive, innovative corporate culture but also to better engagement with customers and clients. *The Inclusion Dividend* provides a framework to tap the bottom-line impact that results from an inclusive culture. Most leaders have the intent to be inclusive; however, translating that intent into a truly inclusive outcome with employees, customers and other stakeholders requires a focused change effort.

Drawing from the latest research and numerous case studies, Mark Kaplan and Mason Donovan explain the challenge of incorporating inclusion into business and leadership and provide straightforward advice on how to achieve the kind of meritocracy that will result in a tangible dividend and move companies ahead of the competition.

IN THIS SUMMARY, YOU WILL LEARN:

- Creating a truly inclusive and diverse environment goes far beyond “doing what’s right” and directly impacts your bottom line.
- The insider–outsider dynamics and group identities really do matter to your business, both internally with employees and externally with customers, clients and stakeholders.
- How to get insider groups with power to see things from the point of view of outsider groups without power so that real change can occur.



by Mark Kaplan
and Mason Donovan

CONTENTS

Diversity? Inclusion? What Do We Mean?

Page 2

The Business Case for Inclusion

Page 3

Framing a Sustainable Inclusion Initiative

Page 4

Unconscious and Unintentional Bias

Page 5

Insider-Outsider Dynamics

Page 6

Dimensions of Difference

Page 7

Critical Leadership Competencies

Page 7

THE COMPLETE SUMMARY: THE INCLUSION DIVIDEND

by Mark Kaplan and Mason Donovan

The authors: Mark Kaplan and Mason Donovan are managing partners of The Dagoba Group, a New England based consultancy specializing in leadership development, diversity and inclusion, and organizational change. Kaplan is the former CEO of MGK Consulting and has been advising organizations in these areas since 1986. He has been published in leading diversity publications and is a guest speaker at global D&L focused conferences. Donovan has consulted with Fortune 500 companies for over a decade on talent acquisition, retention and development. He has also worked with companies to create sustainable client relationships. Donovan is the author of *DRIVEN: A Manager's Field Guide to Sales Team Optimization*.

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For additional information on the authors, go to www.summary.com.

Introduction

The Inclusion Dividend was written for business leaders trying to better understand how their personal and corporate investment in inclusion will provide a return.

Over two decades of working with corporations around the world, we have found that a strategic investment in creating a diverse and inclusive corporate culture always pays off. It pays off at the individual level with happier, more fulfilled employees, at the group/team level with increased productivity and innovation, and at the systemic level with additional bottom-line shareholder value. ●

Diversity? Inclusion? What Do We Mean?

Ask any board of a Fortune 1000 if their company is built on a meritocratic system, and the answer will be a resounding, “Yes.” Employees get promoted based upon their performance. If this is true, why do we need to develop our leaders on creating an inclusive environment that engages a diverse workforce? After all, our corporate culture is based on meritocracy, right? Those who put in the effort will be rewarded regardless of their differences.

But ask yourself why we would need to enact laws that force employers to pay women equally for equal work. In a true meritocracy, your gender would not dictate pay. The story gets replayed with many other

dimensions of difference: ethnicity, education, sexual orientation, race, ableness, age and so on.

Although we may aspire to have a meritocratic system, the cold hard truth is that it does not yet exist.

In an interview series on the evolution of diversity and inclusion, we asked chief diversity officers what percentage of corporate development they believe is being driven today by legal compliance. Not one of them gave an answer above 30 percent. So if the push for diversity is not driven by a desire to stay out of court, what is it?

This question brings us back to why we believe so strongly in a merit-based culture. Don't we want the best and brightest to be steering our ship? This line of thought argues that when we put the most productive workers in our most critical positions, we maximize corporate value and shareholder return.

However, long-standing barriers prevent meritocracy from becoming a reality. Herein lies the need to invest in opening up channels for a more meritocratic system. The return on this investment can be considerable.

At The Dagoba Group, we define inclusion as a systemic aspiration: the goal is to include everyone, to create a climate that is inclusive, and to create talent acquisition and management processes that are inclusive and fair. In our view, all of this is done not as an add-on or nice thing to have but as something essential for maximizing the ability of an organization to meet its mission. In today's global business environment, we see no other way. Diversity is already here at certain levels. The challenge is to bring it to all levels. Meritocracy requires inclusion to work and diversity for fuel. ●



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The Business Case for Inclusion

Companies are in business to make a profit. Investments need to accomplish at least one of two things: reduce expenses or increase revenues. The business case is the story behind reaching one or both of these goals. Every diversity and inclusion effort needs to be directly connected to the organization's purpose.

The business case for inclusion has three key areas: talent management, talent acquisition and marketplace engagement. These areas stem from two vantage points: internal dynamics and external relationships. Internally, the focus is on attracting, retaining and developing staff. More specifically, the emphasis is on these factors:

- **Talent Acquisition:** Are we accessing a broad employment pool, and does our brand attract a diverse set of potential employees?
- **Talent Development:** Are we creating conditions and opportunities that tap the talent of a diverse workforce?
- **Employee Engagement:** Do we inclusively engage our diverse workforce? Do our employees feel good about the company and able to bring their best contributions? Are we retaining high-potential employees?
- **Workplace Climate:** Does the day-to-day environment promote inclusion and success? Does our culture promote teamwork and innovation?

Attracting, retaining and developing the best and brightest talent are pivotal to a healthy, profit-driven organization. When work environments are more welcoming and inclusive, companies enjoy greater retention rates of critical revenue-positive employees. A working D&I strategy not only helps talent acquisition and employee retention; it also creates an environment where employees are more productive.

Donald Fan, senior Director of Diversity at Walmart, notes, "While business lore tends to link innovation with the creative drive that is exclusive to the top and brightest talent, true innovation thrives in an inclusive culture that values diverse ideas, leverages unique perspectives, and invites everyone to achieve collaborative breakthroughs across the entire organization."

The External Business Case

Many companies have decided that they need to change the way they communicate with their current and future target audience. The simple approach is to use "mirroring." This is a numbers game that involves matching the percentage of minorities in the employee population to those in the customer base. Mirroring can create more problems than it solves. It can be difficult to place such a recruitment burden on your hiring team if

the company has no real effort to create an environment that attracts a diverse group of candidates.

At The Dagoba Group, we have helped clients leverage their internal inclusion efforts to strengthen their client relationships in the cycle we call RADIX. Each letter of the model RADIX refers to a stage of the sales process:

- **Reach:** This is the pre-acquisition phase of soliciting potential customers, where there are introductory conversations. Having fully diverse representation on the team is important.
- **Acquire:** This stage is key to setting foundational expectations. How we are developed to create an inclusive team internally and how we are managed inclusively will affect our approach with external clients. Is there mutual respect on the team for one another's roles and ideas? It is not uncommon in larger deals or with requests for proposals (RFP) for the client to ask about your commitment to diversity and inclusion. Some have even begun to track and score their service providers' commitment to diversity.
- **Develop:** After the client is acquired, your efforts are focused on fulfilling the preacquisition promises and expanding your service footprint. There is a need to broaden relationships with many individuals at a client organization. Account executives who have not been developed to deal with diverse groups of decision makers will find it difficult to go beyond the initial decision maker.
- **Inspire:** There comes a time when each party has stopped being intrigued by the other. The relationship is either sink or swim at this level. It is not good enough to be simply good enough: You need to wow your clients and exceed expectations. At the Inspire stage, even the strongest bonds are tested.
- **eXit:** Unfortunately, due to reasons that may or may not be controllable, a client may move to exit the relationship — this is where managing the separation can help in future reacquisition. Maintaining relationships and keeping an open approach may pay off in future recommendations. It may also secure future business as these contacts move into decision-making positions. The business case in the exit stage is measured in "win back" clients and referrals. ●

Understanding Key D&I Concepts

Conversations about unconscious bias and insider–outsider dynamics can easily be lost in the noise of the daily office grind. Even for a leader dedicated to inclusion, putting together all of the pieces needed to fully under-

Summary: THE INCLUSION DIVIDEND

stand how D&I impacts daily life can be daunting. Visual maps can help highlight areas where key inclusion concepts play a role. The key concepts include:

- **Intent and Impact:** To move the company forward, leaders' intentions have to create the desired impact. A mismanaged event may lead to an unintended impact. This dynamic is exacerbated by diversity. Leaders often find it more difficult to give feedback to people who are different from themselves. This can be due simply to a lack of knowledge about what the other person needs and responds to. The employee not getting the feedback loses the opportunity to improve; the manager loses some level of full engagement from an employee, and ultimately, the organization loses productivity. A leader needs to be cognizant of the resulting impact of his or her behavior and words.

- **Unconscious Bias:** Bias has a negative connotation, so we tend to believe we are not biased. The first step to mitigating unintended bias in our decisions is becoming aware of our individual biases. Think of all the subtle behaviors that result from unconscious, unintentional bias. These behaviors often involve tones of voice, methods of engagement or vernacular that changes, typically along dimensions of difference.

- **Insider–Outsider Dynamics:** Every team or organization has insider and outsider groups based on age, ethnicity, gender, sexual orientation, or on education level, class or geography. The insider group is the group with more power; the outsider group is subordinated. Outsider groups must work much harder to stay level with the insider groups.

Levels of Systems Framework

The Levels of Systems Framework offers a way to understand the broader process of creating sustainable inclusion:

- **Individual Level:** At the individual level we are all unique, though there may be similarities across ethnicities, cultures, gender and so on. Individual histories and experiences influenced by these aspects of difference create very different people.

- **Group and Team Level:** Being from a particular socioeconomic background will expose one to certain influences and opportunities. Group memberships frequently have more impact than our individuality on our perspectives, experiences and behavior than does our individuality. How individuals vis a vis their group identities are able to flourish on teams will have an important impact on the organization. Insider–outsider dynamics, if not addressed, will severely interfere with the goal of creating an inclusive organization.

- **Organizational Level:** For one reason or another, a company has determined to recruit from targeted schools, base promotions on certain kinds of characteristics, and design a culture to reflect certain attributes. Those who decide which schools to target are basing their decision upon their own preference or perceptions. Our individual biases about our group memberships get embedded systemically, and then feedback to all of the groups and individuals in the company creates a self-fulfilling organizational culture, reflecting and reinforcing the biases and preferences of the most powerful people in the company.

- **Marketplace Level:** The company's success in seeing, understanding and engaging its current and future customer base is critical to its success as an enterprise. A company's brand will have a D&I component whether the company is aware of it or not. In a future that looks more diverse, not less, the marketplace level of system is even more critical. ●

Framing a Sustainable Inclusion Initiative

The Levels of Systems Framework is primarily about power. Power moves from the individual to the marketplace level. This framework will help you think strategically about how to construct your D&I strategy. D&I is continuously evolving as the organization grows. The most powerful (and thus sustainable) change is one in which all four levels are being leveraged in an aligned, consistent way.

The Individual, Interpersonal Level of Change

Too often, D&I work is viewed as primarily about shifting attitudes. This assumption takes many organizations down the road of training and development as the primary D&I strategy. Quite often, individuals emerge from this training with important knowledge but with no way to apply that knowledge. This can end up supporting the notion that diversity and inclusion are about “the right thing to do” but not substantially related to the business.

Training doesn't work unless it is connected to a broader change initiative that goes beyond the individual level. There are four major limits to focusing primarily on the individual and interpersonal levels: new awareness and behavior are not supported by others; a trainee's direct supervisor doesn't understand or support the intent of the training program; organizational reward systems do not support new behaviors; and talent-related processes do not support change. To fully engage a

Summary: THE INCLUSION DIVIDEND

diverse workforce and create inclusion and meritocracy requires a more systemic change approach as much of what matters to organizations goes well beyond interpersonal interactions.

The Group and Team Level of Change

When we describe the “group level,” we are talking about group membership and identity, the social identity groups to which we belong or are identified. We are not talking about work groups or teams. The work at the group level is threefold:

- To identify the group memberships that have an impact on the experiences of people in your organization.
- To uncover patterns related to those group memberships that are problematic, reducing engagement and productivity.
- To confront the insider–outsider dynamics that are creating or maintaining those patterns.

The day-to-day work environment is most heavily impacted by the patterns and insider–outsider dynamics at the group level.

The Organizational Level of Change

We think of the organizational level as the place where dynamics, norms and practices are set into something just short of cement. This level is harder to change than the others, although certainly not impossible. At the organizational level, the work of inclusion is about changing policies, processes, formal and informal norms, and the underlying assumptions that drive behavior in the organization. Thus, to some extent, it is about changing the culture of an organization in that the culture often creates the informal norms and unwritten rules that become embedded. Here are some examples that describe these factors in more detail:

- **Policies and Practices:** The work of inclusion at the organizational level involves uncovering and either dismantling or reducing the impact of policies that have unintended impacts. Simply requiring a diverse interviewing team creates a more inclusive approach to the recruitment process. Quite often, company events are rooted in company history and tradition. As organizations have become more diverse, these events are proving problematic. Most organizations have a host of policies related to employees’ family lives, and they have evolved quite a bit to be more inclusive of all employees. Some organizations have broadened their definition of “family” so that policies are more inclusive of many types of families. Progressive policies create true inclusion and go a long way toward engendering employee loyalty and engagement.

- **Formal and Informal Behavioral Norms:**

Sometimes little norms have big impacts. An organization was examining its culture and looking for ways to create more inclusive norms. In one large division, there was a norm for scheduling meetings early in the morning, as early as 7 a.m. It became apparent that this practice of early meetings advantaged some groups and disadvantaged others: women, commuters, new parents and single parents.

- **Images of Leadership:** Perceptions of gravitas might say more about the viewer of the behavior and/or the culture of the organization than about the individual being observed. Images of effective leadership must be discussed, made explicit, and examined for relevance and bias, or they will become unconsciously embedded into organizational culture.

- **Culture:** Culture includes all of the little and not so little things that influence people to behave the way they do in an organization. Sometimes it is explicit, sometimes implicit. New norms need to be created that work for a more diverse group of employees.

The Marketplace Level of Change

The point at which the organization engages its stakeholders and client or consumer marketplace is a visible and critical boundary. It is directly related to the bottom line. At this level of system, there are four main areas of focus:

1. The organization’s brand in the marketplace.
2. The extent to which an organization’s staff reflects its customer base.
3. The ability to leverage D&I to create product and service breakthroughs.
4. The skill of customer-facing staff in engaging customers in an inclusive manner.

Power increases at the marketplace level because an organization’s activities are meaningless if they aren’t connecting to clients and customers effectively. An organization that connects its inclusion efforts to the marketplace will differentiate itself from its peers. ●

Unconscious and Unintentional Bias

The diversity and inclusion conversation has always been a challenging one. One of the biggest challenges in creating real and sustainable inclusion has been overcoming the guilt and defensiveness that the conversation provokes, particularly among members of insider groups. Essentially, most of us don’t like to acknowledge our own biases and shortcomings.

Summary: THE INCLUSION DIVIDEND

Bias gets embedded into all sorts of organizational systems and processes. It also affects how an organization views and engages in its marketplace.

Unconscious bias is pervasive and universal. It translates into behaviors, often subtle and small, that can have big impacts on fairness and inclusiveness. While we are all equal in our capacity to be biased, the impact of bias is experienced differently for different groups. Unconscious bias goes beyond the individual level and becomes embedded systemically.

There are tangible ways to reduce unconscious bias:

- Accept that you carry biases, that you are probably not aware of many of them, and that your good intentions are not enough to make them go away.
- Rewire your brain by regularly interacting with people who are different from you, both inside and outside of work. Do this repeatedly and over time.
- Put process checks in place that will prompt you and others to explicitly consider the possibility of bias during talent acquisition and talent management interactions and decisions.
- Develop peer coaching and feedback relationships that will enable you to get feedback from people who are different from you.
- Examine talent acquisition and talent management processes, and redesign them to minimize the potential impact of bias. For example, require the input of a diverse group of colleagues when assessing employees' performance and potential. ●

Insider–Outsider Dynamics

Insider–outsider dynamics are born at the group level, not at the individual level. We are not talking about individuals excluding other individuals. We are talking about inclusion or exclusion based on group identity.

As we describe the core insider–outsider dynamics, think of your own collection of insider and outsider group memberships:

- **Level of Awareness:** When we are in an outsider group, we are much more likely to be aware of the difference. Barriers often emerge that are based on group membership. Ask an LGBT (lesbian, gay, bisexual or transgender) person who works for a company, “What is it like to be LGBT in this company?” and you will likely have a rich conversation about managing personal identity at work, deciding what to tell coworkers about your life outside of work, and balancing openness against potential risks. Ask a heterosexual person, “What is it like to be heterosexual in this company?” and you will

probably get a blank stare because it is the norm. Our different levels of awareness have huge implications for forging a path toward greater inclusion.

- **Different Pattern of Experience:** Being an insider or outsider produces a fundamentally different pattern of experience. Insider group membership generally creates a positive pattern of experience. For example, insiders are generally seen as the norm, given the benefit of the doubt, and assumed to deserve the position of leadership they have attained. But “good” and “bad” can happen to us based on our group membership, not our individuality. We are talking about patterns. Think about a woman executive. It is possible that on her walk into work, she gets whistled at. Standing near a desk in the reception area, she is assumed to be a receptionist. When calling on a client, she is assumed to be subordinate to the male staff member accompanying her to the meeting. These patterns fundamentally shape our experiences and our perceptions.

- **Willingness to Engage:** Insiders can find it hard to talk about the impact of something they are not even aware of! For outsiders, there is a reluctance to acknowledge and focus on barriers they feel they have little control over. All too often, the conversation is not explored because of reluctance on both sides.

- **Setting Norms Versus Adapting to Norms:** Being in an outsider group generally means having to understand and adjust to the insider group's way of thinking and doing. Obviously, there are many outsider group members who successfully adapt and assimilate. What is the cost of depending upon exceptional individuals to adapt and change much of who they are in order to succeed? Are the benefits of diversity in innovation realized when individuals feel like they need to conform to the status quo?

The fundamental challenge is that outsider groups have more information about the dynamics and less power to change them. Insiders have less information and more power. This creates an obvious barrier to change. If there is no “burning platform” for insiders, then why would they do anything? How do we break this cycle and move ahead?

It is critical to engage both outsiders and insiders when the goal is creating sustainable inclusion. We strongly recommend that inclusion change efforts include insider group members in visible leadership positions. This is a strong symbol that tells insiders they shouldn't write off the inclusion effort. In this insider-involved scenario, a business case can emerge as a burning platform from which to launch real change.

Summary: THE INCLUSION DIVIDEND

Insider group members must learn about the difference and need to know about the business impact of exclusion. They are not being indicted as bad people. Exclusion or bias is often unintentional, and inclusion needs to be intentional. Outsider groups will feel more empowered; insider groups will be more aware and engaged. This is what will begin to shift the dynamics. ●

Dimensions of Difference

To successfully foster diversity and inclusion, a leader must embrace this paradox: We are both individuals and members of any number of identity groups, and both matter always.

Differences can be visible or invisible. When the difference is immediately visible, such as race, gender or age, unconscious biases lead to unintended assumptions and behavior. Invisible differences create a dilemma: Should I share my identity or should I keep it hidden? These differences may include veteran status, disability, sexual orientation and religion. Sharing an identity creates a risk that the individual will be seen through the lens of a stereotype.

Differences that are present at birth or are permanent are sometimes seen differently than identities that can or might change over time. Some differences, like age, will change as we move through life. Our ableness is something that is not stable, because it may change with age, accident or medical conditions. We have the opportunity to be empathetic when our group memberships change.

- **Ableness:** The main task for organizations is to reduce stereotypes and increase access. Many people living with disabilities report being seen as less intelligent or generally deficient. The bias, often unconscious and unintentional, assumes that a specific disability affects cognitive function in a more general way.

- **Culture:** We tend to judge a cultural difference through our own lens, and assign a positive or negative intention to a behavior that seems completely natural to another person. Power exacerbates cultural difference. The organization has to be able to ameliorate the dominance of one culture over others.

- **Generational Difference:** Generations approach work and authority in very different ways. This creates substantial misunderstandings and judgments across generational groups. Organizations able to create maximum flexibility in their definition of career development and keep finding ways to engage each generation will be the most successful.

- **Gender Difference:** Very often, gender dynamics in the workplace are viewed as primarily about work–

life flexibility and balance, because of women's leadership role in the home and with children. The glass ceiling is often attributed to women voluntarily taking a career off-ramp to have and raise children. The data, however, says something else. The top reasons are more often related to the corporate climate and to the difficulty of being taken seriously. Men also need, and are affected by, the ability to balance their work and personal lives. A continued focus on gender is critical.

- **Race:** While overt racist behavior is less common than it once was, unconscious bias based on race is prevalent. The biggest challenge in managing the issue of race is reducing unconscious bias, both individually and systemically. As the younger population becomes more diverse, the U.S. workforce is experiencing a dramatic shift in demographics. Corporations that embrace the change proactively will find themselves ahead of their competition.

- **Sexual Orientation:** There is value in sharing basic information about ourselves at work. It is how we build relationships, develop trust, and get to know people. In today's organizations, teamwork and relationship building are critical to the ability to innovate and be flexible. If LGB people feel it is risky to share basic information in the same way heterosexuals do, both they and the organizations suffer. ●

Critical Leadership Competencies

Our experience with many leaders over the years suggests four areas of competency that must be mastered in order to create sustainable inclusion:

- **Individual Awareness and Self-Management:** You need to challenge not only your own conventional wisdom but that of the people most like you. When an insider group coalesces around a particular viewpoint, it is a very powerful thing and will quickly shut down other perspectives. Think about the people you turn to in critical moments and who you know and trust most on your staff and among your colleagues. How diverse is this group?

- **Embrace the Paradox of Individuality and Group Identity:** It is absolutely essential that leaders understand that insider or outsider group membership is sometimes a primary factor in an individual's ability to be successful. Notice patterns by group identity. Consider group identity when planning staff development. Develop relationships with all of your staff. Understanding group identity is what allows you to treat your staff as full individuals.

Summary: THE INCLUSION DIVIDEND

• **Envision and Frame Positive Change:** Diversity in a nation, society, culture or organization is a source of strength and potential. If you as a leader can express a clear and compelling future vision, you will greatly increase the chance that others will get on board to move toward the desired future state. Create a compelling business case. Speak to the impact of inclusion. Create a positive vision of inclusion.

• **Foster True Meritocracy:** Look at the top two or three levels of your company. Are those positions dominated by one or two social identity groups? Creating true meritocracy requires a systemic approach achieved by looking at what your staff are rewarded for and looking at your key talent-related processes and changing them so they are better able to support the top performance of diverse groups. Acknowledge meritocracy as the goal. Take a critical look at your culture through a diversity and inclusion lens. Examine your talent acquisition and talent management systems. D&I development can and should be integrated with every leadership competency. A more robust investment in leadership development provides a fuller payout. ●

Change Strategies for Creating Inclusion

Inclusion is a long-term change process that must be deeply and directly connected to the business. The strategy should be based in a solid business case directly connected to the growth and health of the company. Multiple levels of systems should be leveraged. Senior executives need to be involved and engaged. Both insider and outsider groups need to be involved.

A sustainable long-term inclusion initiative will move through four phases:

• **Phase 1: Research and Needs Identification:**

The primary focus of this phase is building a solid foundation for the initiative. The ability to work effectively and inclusively across all kinds of difference is now central to profitability in the short and long term. That said, each organization needs to develop its own rationale in its own language and in the context that is unique to that organization. The tools for this phase include employee engagement surveys, HR data, focus groups and interviews, and customer and marketplace data.

• **Phase 2: Strategy Creation:** If inclusion is a serious goal, then there must be a strategy to pursue. All good strategies require compelling data, a solid business rationale connected to profitability and a realistic imple-

mentation plan. The proper use of the business case is to develop a clear focus and direction for an inclusion change effort. It is at the core of strategy creation. The primary tool used at Phase 2 is a diversity council, a temporary team with the power to create a strategy and possibly oversee its implementation.

• **Phase 3: Implementation and Integration:**

Phase 3 is about directly involving the entire organization with the inclusion initiative in some significant way. There needs to be clear and explicit connection to a larger strategy. Phase 3 is about the broader kind of buy-in from frontline to mid-level management. There are many tools to be employed in this phase: awareness and skills training, leadership development, employee affinity groups, organizational culture change and communication. Phase 3 is also about integration, to integrate a D&I mindset or “lens” into the day-to-day business.

• **Phase 4: Measurement and Recalibration:**

Phase 4 involves assessing the impact against the strategy. Activities that bring about the most desired impact should be amplified, and those that have little or no impact should be changed or discarded.

An inclusion initiative is like any large organizational change process. It needs accountability and leadership. Leaders will need to be prepared to manage reactions to the inclusion work. Outsider groups will be skeptical that the change is real. Insider groups will see the change as creating a nonlevel playing field in the other direction.

Remember, resistance to change is a good thing! It often means the change is real; otherwise, there would be no need for resistance. Leaders' behavior in the face of resistance will predict the success of the initiative. Like everything else you do as leaders, successful change always comes down to commitment, authenticity, engagement and persistence. ●

RECOMMENDED READING LIST

If you liked *The Inclusion Dividend*, you'll also like:

1. ***The Inclusion Breakthrough* by Frederick A. Miller, Judith H. Katz.** The authors explain how to make diversity a central and profitable part of an organization's strategy for long-term success.
2. ***Winning with Transglobal Leadership* by Nazneen Razi, Ph.D., Peter Barge, Robert A. Cooke, Ph.D., Linda D. Sharkey, Ph.D.** Learn an easily implemented process for assessing your organization's global capability and developing the leaders who will drive success.
3. ***The 2020 Workplace* by Jeanne C. Meister, Karie Willyerd.** Meister and Willyerd present a functional guide to help you and your organization create tomorrow's workplace of choice.

· Book 24 of 46 ·

Summary



The Talent Powered Organization

Strategies for Globalization, Talent Management and High Performance

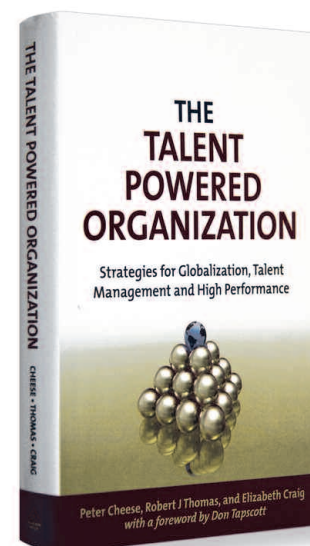
THE SUMMARY IN BRIEF

Globalization has created new markets and spawned new operating models for work forces, creating huge challenges for businesses that must remain productive, efficient and competitive to survive. The source of value for businesses has changed. Where a company used to have most of its market value based on its tangible assets like machinery and facilities and the efficiencies of those, now value has shifted dramatically to intangibles like the knowledge of production, service and delivery methods, market knowledge, relationships with customers and suppliers, and its brand value and reputation. The competitive edge for businesses is more reliant on the pure talent of who they hire and how that talent is aligned and motivated. Because of this, talent issues have been propelled to the top of the corporate agenda.

The Talent Powered Organization underscores the need for organizations to adopt new work styles and new career paths; new and current employees need to be mentored and coached to contribute to business performance. The authors provide framework and examples for creating and sustaining talent power that can help any business in the evolution to become an organization powered by talent.

IN THIS SUMMARY, YOU WILL LEARN:

- How talent has become the greatest source of value in the modern economy.
- How to put talent at the heart of your business strategy.
- How to define your talent needs, discover your talent sources, develop your talent's full potential and deploy your talent for maximum impact.
- How to build new skills and learning throughout your organization.
- How to engage and motivate all the people who are working for you and get them aligned with your goals.



by Peter Cheese, Robert J. Thomas and Elizabeth Craig

CONTENTS

Introduction

Pages 2, 3

Talent Imperatives for a New Economic World

Page 3, 4

A Strategic Approach to Talent

Pages 4, 5

The Discovery of Talent

Page 5

From Talent Development to Deployment

Pages 5, 6

Engagement

Page 6

Embedding and Sustaining Talent Power

Pages 6, 7

Next Steps and the New Imperatives

Pages 7, 8

THE COMPLETE SUMMARY: THE TALENT POWERED ORGANIZATION

by Peter Cheese, Robert J. Thomas and Elizabeth Craig

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Introduction

The key factor in determining the success of any organization is its ability to use human talent — to discover it, develop it, deploy it, motivate it and energize it.

Human talent — the combined capacity and will of people to achieve an organization's goals — is a productive resource like no other, with a unique capacity to add value to an organization.

For that very reason, talent issues need to be handled strategically. They are too important to be assigned only to specialist functions and regulated by specialist processes, however well designed in themselves. They need a holistic approach in which every part of an organization, every individual within it, is connected and animated by the need to foster talent.

The Search for Talent

The conditions faced by every organization in the search for talent are changing with astonishing rapidity in every part of the world. Familiar talent pools are shrinking, new ones are emerging; new technologies are transforming the nature of work, the skills demanded at work, and the ways in which people can work; new elements are arriving in the global talent mix with new attitudes and ambitions. All these trends are making talent an ever more critical and complex issue for every organization.

Although the modern world tells us repeatedly how vital it is to use talent well, there is precious little guidance on how to do this — particularly on how to do it in an integrated way across the wide range of possible interventions or investments, and how to look at talent more strategically.

The Effect of Globalization

Globalization is having a huge impact everywhere, but the globalization of work and talent has become the defining theme of this new era.

Things are moving so fast in India, for example, that the country's leading manufacturing and engineering companies are struggling to recruit the people they need. The boom in IT services and the rocketing demand for associated talent have not been especially good news for India's traditional industries, which have suddenly become desperately unfashionable.

This was the first "whammy" to hit traditional Indian industry. Following it was the fact that these traditional industries have never paid much attention to talent management in the past — leaving them sorely ill-equipped to cope with a sudden shortage of the kind of skilled marketers and managers they so desperately needed. What made it a triple whammy was that the best HR people, who might have been able to help them sort things out, had all been snapped up by the booming IT and telecoms sector.

The Competition for Talent

The global competition for talent between organizations and even between countries now has major economic and political implications. It concerns governments and lobby groups; it is redefining organizations; it is changing the way we live.

The challenge for today's leaders and managers is to build engaged, productive and committed work forces for their organizations. Indeed, engaging talent in creating value for the firm is now a critical organizational



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Summary: THE TALENT POWERED ORGANIZATION

capability. This is an enormous and important task for every organization.

The most successful organizations have a deep understanding of the strategic value of their talent. These talent-powered organizations build and nurture distinctive capabilities in multiplying talent, unleashing the energy, creativity and collective contributions of their work forces. ●

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Talent Imperatives for a New Economic World

The world is changing at a bewildering pace. Everywhere new markets are opening up, new work forces are emerging, and new ways of working are challenging our thinking. We are in a new stage of globalization where talent and brainpower are becoming the predominant currency.

The traditional management paradigms that focused on productivity and efficiency were designed for the 20th-century economy. Enabled by technology and process engineering, they derived from the need to obtain high productivity from a work force whose costs were rising. This narrow focus made sense for the world's developed economies at a time when more than half the world was effectively excluded from the global marketplace. In the past two decades, politics and technology have changed the world beyond recognition: With a total world population of 6.4 billion, fewer than 100 million people are excluded from the new global economy.

The first phases of globalization in this new era focused on the movement of production from the developed world to the developing world as a means to reduce costs — working cheaper. Now we are emerging into an era that is about working everywhere — a truly multi-polar world — going where the talent is, where the resources are and where the markets are, connecting people and processes globally and breaking down traditional barriers.

A New Context

The task of finding and managing talent has become more complex, turbulent and contradictory than ever before. Once-familiar talent pools are drying up as new ones are rapidly opening — rich and seething but often full of crosscurrents and hidden rocks. This is creating great challenges for managers and leaders of organizations large and small.

Talent managers today must cope with a world of

change and contrast such as:

- Global abundance but local scarcity of talent;
- Fewer young people and more older people, many heading rapidly toward retirement;
- Rising demand for new skills aggravated by demographic pressures and educational shortcomings;
- New methods of working and new relationships between users and suppliers of talent;
- More diverse and remote or even virtual work forces, with different attitudes to work across the generations;
- Steady change in the nature of work, with more and more of us working in the fuzzy world of information.

Simply securing the best talent will no longer ensure competitive success. The secret to sustained competitive success in the new economic world is to build a talent-powered organization that sustains and builds all the skills needed to compete.

The Talent-Powered Organization

The talent-powered organization is an organization that invests in building distinctive capabilities in managing talent to produce extraordinary results for the organization. Talent-powered organizations are adept at defining talent needs, discovering diverse sources of talent, developing the organization's individual and collective talents, and deploying talent in ways that engage and align people around a compelling set of objectives. When these talent management capabilities are highly integrated, aligned with the organization's business strategy and embedded in its operations, they constitute a distinctive organizational capability and a source of lasting competitive advantage.

Talent-powered organizations nurture this distinctive capability in talent management alongside the other distinctive capabilities that underpin the organization's formula for success, allowing talent power to propel the organization to high performance.

Organizations such as Best Buy, Starbucks, Google, Marriott, Microsoft, UPS and Accenture have figured out how to build and leverage talent power to achieve extraordinary success. Every organization can build the talent power necessary for success in the new economic world.

Five Talent Imperatives

Five talent imperatives can help you navigate your way to success and become a truly talent-powered organization:

- Talent is a strategic issue, and a human capital strategy

Summary: THE TALENT POWERED ORGANIZATION

is an intrinsic part of any business strategy. This means understanding the value of talent, and recognizing the critical components of business strategy that require us to think through the talent and organizational implications and options.

- Diversity is your organization's biggest asset. Your ability to attract and work with diverse talent is a critical competitive advantage.
- Learning and skills development is now the most important capability for the talent-powered organization. It needs to be focused and built around a clear understanding of the specific skills and competencies your organization needs to succeed.
- Engagement is the mystery ingredient that can transform business performance. Aligning and motivating people will enable you to multiply talent in your organization and improve its performance.
- Talent management is everyone's job in your organization. The HR function is a key enabler, but best practices and a talent mindset must be embedded and sustained throughout your business.

Your organization's survival depends on the ability to discover, develop and deploy talent of every kind. This is the new competitive paradigm, and the challenge is different from anything your organization has faced before. It demands a new mindset — inspired by new leadership, informed by new strategy, supported by new expertise. We are entering a new Age of Talent, and we must move beyond the oft-quoted platitude of “people are our most important assets” to meaning it and doing something about it. ●

A Strategic Approach to Talent

Research distinguishes three separate approaches in the evolution of talent management.

Model 1: Personnel Control

Organizations are simply trying to achieve the basic people administration activities. They make little attempt to create comprehensive or integrated people development processes, but tend to focus on activities such as the administration of pay and benefits, the recording of attendance at formal learning and the control of recruitment processes. They have little understanding of what talent and competencies are needed and where there are gaps. People are treated as headcount, and the focus is on administrative efficiency. Just as with quality and IT in the past, all the emphasis is on the control of inputs, and there is little understanding of the linkage between inputs and outputs and business goals.

Model 2: People Development

HR is focusing more on the development of people. Performance management is in place, more or less supported by compensation and rewards and penalties; learning is better focused on improving performance; and most parts of the organization probably have some form of objective-setting process. But these processes are not truly integrated and are not executed consistently, and therefore the connections are not fully understood or recognized by line managers or clear to employees. There is no real understanding of the mix of competencies and skills in the organization, and talent is not being looked at collectively or strategically. Although some people metrics are in place, they are not sufficiently connected to business outcomes, and fail to show how to drive up value by investing in people.

Model 3: Talent Multiplication

Talent multiplication begins with a pervasive talent mindset and culture driven by top leadership, a top-down understanding of the human capital strategy required to support the business strategy, and understanding of the value linkages. Talent needs are defined at a competency level, and this underpins the close integration between all the talent discovery, development and deployment processes. Employee value propositions are tailored and targeted with a clear understanding of the needs of the different segments of the work force. HR supports consistent processes across the organization, but is also able to support a range of working arrangements and total reward programs. Outcome and value measures associated with work force performance are understood, while direct investments in talent and associated key performance indicators are tracked across the organization.

Most organizations today appear to be employing some version of the people development model of talent management, and too many are still taking a personnel

Human Capital Strategy

A human capital strategy is essential to support your organization's strategic goals. Only with such a strategy can you do the following:

- **Anticipate** and meet the talent demands of your chosen goals;
- **Map** how talent impacts your whole organization;
- **Use** the dynamic possibilities of talent to create new intangible value for your organization; and
- **Create** a “virtuous cycle” of talent multiplication to power your organization to high performance.

Summary: THE TALENT POWERED ORGANIZATION

control approach. To move toward talent multiplication, organizations must:

- Improve the degree of alignment between talent management activities and the business strategy;
- Achieve total integration of all talent management activities;
- Move from adding value by managing talent efficiently and effectively to creating extraordinary value for the organization by multiplying talent;
- Shift responsibility for talent management from the HR function alone and get the entire organization involved in multiplying talent.

Evolving talent management capabilities to achieve talent multiplication must now be a critical strategic goal for any enterprise. It requires drawing on a wide range of capabilities new to the world of people management, such as supply chain management, to innovate in the area of talent discovery and supply-demand balancing; marketing, to innovate in the area of communications; and branding, to attract potential talent. Given the range of challenges in finding and managing talent, it is clear that organizations that never evolve to the level of applying talent management are fated to go the way of all organisms that fail to evolve with their environment. ●

The Discovery of Talent

How can you actually discover the individual talent you need and attract it to your organization? This question becomes vastly more complex because of the need to source talent from increasingly diverse and unfamiliar talent pools.

Not long ago, companies could generally afford to limit their search for people to places or methods that were familiar to them. But now the familiar places are shrinking as sources of talent. And increasingly the sought-after people — particularly those with special skills — are turning their backs on familiar methods of working and relationships with conventional employers.

The global talent market has made work force diversity inevitable. Successful companies are those that do not wait to be forced into it but actually embrace it as a source of advantage. Diversity should become your biggest asset.

A few decades ago you might have concentrated your search for some kinds of expertise on certain business hotspots and other specialist clusters. Today the rapid growth and spread of talent, knowledge and technology make it not just harder but also distinctly foolish to narrow your choices.

You might easily be searching for some kinds of talent in, say, Bangalore or San Francisco, when the best sources are now in Zhengzhou or Rio de Janeiro. Indeed, thanks to the Internet, the talent you need may even be in cyberspace.

Then you have to figure out how to reach the right people and persuade them to work with your organization. Even more precious is what you discover, through successful recruitment, about what attracts talent to your company — and what repels it.

A Double Message

When you have identified the sources and type of talent you need, you need to send people a double message: first, about your general “brand” and appeal as an employer; and second, about the specific expectations that individuals can meet by joining your organization. You need to maintain those double messages consistently in every recruitment channel you use — especially your own Web site — and at every stage of the recruitment process. You must seek to extinguish everything that might contradict those messages to a potential recruit. Most important of all, you must keep the promises you make to new recruits as soon as they start working for you and thereafter throughout their careers. ●

From Talent Development to Deployment

To become a talent-powered organization, you must multiply talent by developing and deploying the talent you have discovered. The rise of the celebrated knowledge worker is a reflection of changing skills requirements in the work force. As businesses continually apply new techniques, new processes and new growth models, and work in new locations, their need for upskilling becomes constant and continuous.

Career development efforts in large corporations are too often limited to programs that target future leaders and people with high potential. Given the demands of knowledge work and the increased strategic importance of human capital, broad investments in employee capability development should be a top priority for firms.

Work force development is especially vital in businesses and sectors where employees’ knowledge, skills and capabilities are the main tool for creating value. Talent-powered organizations have well-honed capabilities in deploying talent to the mutual benefit of the organization and its employees.

Deploying talent is becoming an increasingly strategic capability, with the proliferation of possible ways to orga-

Summary: THE TALENT POWERED ORGANIZATION

nize work and access talent. Now, jobs or tasks can be moved to people as often as people fill jobs. More important, perhaps, technology increasingly allows work to be divided and distributed in novel ways. Work need no longer only be conceived of structurally in terms of organizational roles.

The way your organization deploys its talent will also have an enormous impact on employee engagement — the secret sauce of talent-powered organizations. ●

Engagement

Talent is the engine of the modern organization, and engagement is the mystery ingredient that can transform the engine's output. The primary drivers of engagement can be listed as six Cs:

- **Content.** Do I enjoy what I do?
- **Coping.** How am I supported?
- **Compensation.** Am I fairly rewarded?
- **Community.** Is it socially rewarding?
- **Congruence.** Do values align?
- **Career.** Where am I going?

Focus on the strategic role of line managers in building engagement. Do everything you can to make them take responsibility for building engagement, and give them the training and support they need to do it. Make clear that they will be judged on their success.

To succeed in this, you will of course have to ensure that line managers are engaged. So begin by applying each of the six Cs to them.

Engaging Line Managers

Do line managers have satisfying jobs? Do they have enough support, especially training, to cope with their existing demands, let alone the new challenges of building engagement in others? Are they fairly compensated and fully recognized for their contributions? How do they feel about their own careers and personal development? As to congruence — line managers almost certainly know your organization well. Do they identify with its values? Do they have faith in the way the organization applies those values?

If your line managers cannot give a satisfying answer to these questions, your organization has almost no hope of building an engaged work force.

However, line managers also need one further resource. They need a clear strategy, created and sustained by senior leaders, and a clear understanding of their role in delivering it. ●

Embedding and Sustaining Talent Power

Embedding and sustaining talent multiplication capabilities is not simply a matter of measurement. It requires robust and integrated processes that support all aspects of talent management throughout the employee lifecycle, and it requires complete alignment of mindsets and efforts within the organization. Talent multiplication happens in the course of the daily business of the organization as employees engage in their work activities, create and innovate together, and interact with customers and clients.

Top management and leadership must understand where and how investments are necessary in improving the performance of the work force to drive greater business value, and it is equally essential for every line manager to understand how the competencies of their teams line up and how well they are performing against specific organizational objectives.

Giving People Management Back to Managers

The most critical task is to integrate human capital management practices into the very fabric of business. The way to do that is to ensure that line managers, to whom the majority of people in any organization actually report, take on proper accountability and responsibility for talent management.

How does an organization accomplish this change? The principal ways being used by companies to give a significant boost to work force performance through hands-on talent management include shifting active people management responsibilities back to line managers, creating the expectation that managers ought to be teachers and trainers, and measuring the effectiveness of line managers in managing and developing talent.

The measurement and alignment of talent management activities creates and sustains the virtuous cycle of talent multiplication.

Talent-powered organizations treat talent not simply as another resource to be managed but as a strategic asset to invest in. They make strategic investments in human capital processes to build the organizational capabilities that multiply talent and create value.

HR is organized around capabilities, and focuses the administrative and transactional activities in shared service centers. Measurement of all HR processes and activities is in place, including agreed service levels and key performance indicators. Consolidated HR systems provide a solid base of talent-related data and information.

Summary: THE TALENT POWERED ORGANIZATION

A Talent Mindset Begins at the Top

American Express Company's CEO Ken Chenault drives his company's talent mindset. He recognizes that "people are the company's greatest strength." He spends 30 to 40 percent of his time on leadership issues, working directly with leaders. His involvement includes leading a twice-yearly CEO summit, where top talent meet with him for two days to work through a significant business issue. He also dines quarterly with top talent and annually has several chairman-led sessions during which talent is discussed. He is personally informed about how employees feel — he listens and is very approachable. Not only does he play a visible and active role with all employees, but he also has similar requirements of his staff. There is clearly a top-down emphasis on talent.

Everyone Must Be Involved

Everyone in the organization must be involved in multiplying talent. Leaders of talent-powered organizations take a visible role in using people's talent to gain sustainable competitive advantage.

Talent management needs to become everyone's responsibility in every organization. While top leadership and HR involvement are essential, a talent mindset and capabilities must be embedded and sustained throughout the organization. In talent-powered organizations, capabilities in discovering, developing and deploying talent allow everyone in the organization to identify and nurture talent in ways that enhance performance. ●

Next Steps and the New Imperatives

There is no simple formula for becoming a talent-powered organization, but among the core tenets of talent-powered organizations, five principles stand out:

1. Talent is the single most important force creating strategic value for your organization. Strong leadership involvement in talent management is absolutely necessary to create a talent-powered organization. Leaders must demonstrate understanding of the key components of their strategies that depend on developing and using talent to gain sustainable competitive advantage. They need to identify the distinctive competencies they need to nurture and grow, and to think about talent holistically, aware of how it underpins every

effort by every part of their organization to fulfill its strategic goals.

2. Diversity is your biggest asset. The extraordinary complexity and multiple paradoxes embodied in today's global talent market — especially the combination of local scarcity and global abundance — have created talent pools of unprecedented diversity in age, gender, ethnicity, geography, work arrangements, attitudes and career expectations. Your organization can accept diversity as a forced response to labor market pressures or new regulation, or it can embrace and leverage diversity deliberately as a means for competitive gain. To achieve this, you will need to be able to attract and retain more diverse talent than you have in the past.

3. Learning and skills development are critical organizational competencies. The knowledge economy constantly redefines the skills it demands from the work force. It requires ever-greater competencies associated with information technology; it turns the ability and the willingness to learn into cherished qualities. A talent-powered organization is both a "learning" and a "teaching" organization: It has mastered how to invest in learning and development and knowledge-management capabilities, and how to use them to accelerate skills building and improve competitiveness in all its critical work forces. It has also inculcated a culture of knowledge sharing and teaching.

4. Engagement is the key to high performance. Engagement is a combination of heart and mind. People who are engaged exhibit a high level of energy and emotional connection in their work. They invest additional effort, and persist in their efforts despite challenges or setbacks. They are dedicated because their work is meaningful and provides them with ample opportunity to use and develop their competencies and strengths. To understand engagement, you must recognize that different segments of the work force have different needs, aspirations and expectations.

5. Talent multiplication is everyone's job. In talent-multiplying organizations, everyone assumes responsibility for developing and nurturing talent. The HR function provides much of the enabling processes and support for talent management, but is not ultimately responsible. HR should also provide the information to the organization to ensure that it understands the talent issues and challenges, the investments in talent, and progress on performance improvement. It should be a source of expertise in talent management and development.

Once the building blocks of a high-performing HR

Summary: THE TALENT POWERED ORGANIZATION

function are in place, it can respond better and more flexibly to the needs of different work force segments.

Critical Tasks for Key Stakeholders

In reality, we are all stakeholders, whether we are leaders, managers, employees, investors, regulators or in the public service. Here are some of the ideas and actions we can all take in our different roles and responsibilities in managing and developing people, and the talent we need to successfully build our businesses and organizations:

- **Business Leaders.** Business leaders have a primary role in creating the mindset and context for creating truly talent-powered organizations. They need to understand the issues and changes happening in the world around talent, skills and the nature of work, and set these issues in the context of their own business and business strategy.

- **Line Management.** Line managers have the most direct impact on talent across the organization simply because most of the people work directly for them or with them. Their role in talent development and engagement is therefore critical. They need to be aware of their personal responsibility for talent development, especially in managing diversity and building engagement, and the skills and behaviors they need.

- **Talent Management Functional Leaders.** Human resources, learning and development are the functions most directly focused on the development and management of talent. They have the specific responsibilities to enable the practices and processes across the organization to support talent multiplication, and to provide the information the business needs to carry out its wider role in this context.

- **Finance Leaders.** Finance leaders need to move beyond the limits of conventional accounting and collaborate with HR leadership to develop new metrics to value human capital investments within the organization, consider what metrics can provide more insight to external stakeholders on the talent and organizational capital of the business and encourage the development of standards, and support talent management functions in developing stronger skills and knowledge in finance and key business fundamentals.

- **Employees.** Employees need to articulate their needs and desires for learning, development and advancement for satisfaction and meaning in work in ways that their supervisors and the organization can understand and respond to. They must also be proactive

and take full advantage of the opportunities given to them for learning and development.

- **Governments and Regulators.** Governments and regulators provide the environment in which businesses operate, and in which they can access and employ the right talent. Regulators need to adapt and respond to the many rapid changes in the world of talent.

- **Investors and External Stakeholders.** Nonexecutive board directors have a responsibility to the organization and its shareholders to ask management how it is building human capital, and how well it understands and is responding to the internal and external issues. The investor community, financial analysts and others all play a significant part in keeping a focus on talent in both quoted companies and privately owned enterprises.

Beyond Talent Multiplication

State-of-the-art talent management has evolved from a system of personnel control to one of people development, and now to talent multiplication. Current organizations that have found it possible to multiply talent through effective discovery, development and deployment will likely find themselves profoundly affected by the processes they have helped set in motion. They will themselves become networks of talent — forming and reforming in response to opportunity, technology, and social and political change. Beyond talent multiplication lies an exponential increase in creative capacity.

This evolution is unfinished and there is still much to learn. We are all on a journey to discover how to access, engage, develop and channel human potential to create organizational values; and new ideas, new approaches and new challenges are emerging all the time. We are truly in a new age of globalization and talent, and the promise that technology is finally beginning to really show is unlocking the potential of talent everywhere. ●

RECOMMENDED READING LIST

If you liked *The Talent Powered Organization*, you'll also like:

1. ***The New American Workplace* by James O'Toole and Edward E. Lawler III.** The 1972 Work in America taskforce set the stage for groundbreaking changes in the quality of work life for decades to come. But the results of such changes on today's workplace conditions have created a whole new set of issues and challenges.
2. ***The Enthusiastic Employee* by David Sirota, Louis A Mischkind and Michael Irwin Meltzer.** Drawing on detailed case studies and employee attitude surveys from hundreds of companies, the authors describe a dollars-and-cents business case for high employee morale, and present specific management practices that offer the greatest positive performance impact.
3. ***The War for Talent* by Ed Michaels, Helen Handfield-Jones, and Beth Axelrod.** The authors say employers must develop talent through the efforts of every leader in a company. These efforts must address people management with as much effort and commitment as a company puts into its customer management.

For additional information on measuring the value of talent, go to <http://my.summary.com>

· Book 25 of 46 ·

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Who The A Method for Hiring

THE SUMMARY IN BRIEF

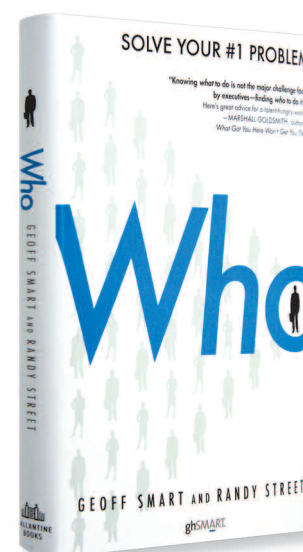
Every manager knows that hiring people is a tricky process with little room for error. After all, one bad hire can lower productivity, drive away customers and poison morale. In fact, the average hiring mistake costs a company \$1.5 million or more in hard costs and countless wasted working hours. This statistic becomes even more startling when one considers that the estimated hiring success rate for the typical manager is only 50 percent.

But bad eggs can be hard to detect during the interview process. Candidates can exaggerate or be less than forthcoming, and hiring managers often rely on outdated interviewing methods that seem effective but don't produce enough reliable information before it's too late.

That's why Geoff Smart and Randy Street developed their A Method for Hiring, which is the focus of their book, *Who*. Based on more than 1,300 hours of interviews with more than 20 billionaires and 300 CEOs, the A Method explores the fundamental elements of the hiring process. It also offers step-by-step interview methods that help managers clarify their hiring needs and expectations, reveal more information about candidates, and help weed out B and C Players quickly. This ensures that new hires have the right skills and are cultural matches who are there for the long haul. The A Method helps source A Players, offers strategies for convincing A Players to come aboard and ultimately helps companies focus on *who* decisions as often as they focus on *what* decisions.

IN THIS SUMMARY, YOU WILL LEARN:

- How to avoid common “voodoo hiring” methods.
- How to clarify what you need.
- How to ask the right interview questions to dramatically improve your ability to quickly distinguish an A Player from a B or C candidate.
- How to attract the person you want to hire, by emphasizing the points the candidate cares about most.



by Geoff Smart
and Randy Street

CONTENTS

Who, Not What
Page 2

Scorecard: A Blueprint for Success
Page 3

Generating a Flow of Candidates
Page 4

The Four Interviews for Spotting A Players
Page 5

Conducting an Effective Topgrading Interview
Page 6

Marshall Goldsmith's Behavioral Warning Signs
Page 7

Your Greatest Opportunity
Page 8

THE COMPLETE SUMMARY: WHO

by Geoff Smart and Randy Street

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Who, Not What

Who is your No. 1 problem. Not *what*. *What* refers to the strategies you choose, the products and services you sell, and the processes you use. *Who* refers to the people you put in place to make the *what* decisions. Ultimately, *who* failures infect every aspect of our professional and personal lives.

Who mistakes happen when managers:

- Are unclear about what is needed in a job.
- Have a weak flow of candidates.
- Do not trust their ability to pick out the right candidate from a group of similar-looking candidates.
- Lose candidates they really want to join their team.

These *who* mistakes are pricey. According to studies performed by the authors, the average hiring mistake costs 15 times an employee's base salary in hard costs and productivity loss. Decide to make better *who* decisions, and you will enjoy your career more, make more money and have more time for the relationships that matter most. ●

Your #1 Problem

The techniques you will learn in the pages that follow will help everyone — boards, hiring managers at every level, even parents hiring a nanny — find the right *who* for whatever position needs filling. Before the method can work to its optimal level, though, chances are you might have to break some bad hiring habits of your own.

Voodoo Hiring

If you find yourself time and again wondering how a misfit got on the payroll, then it's possible you are using one of the top 10 voodoo hiring methods:

1. *The Art Critic*. A good art critic can make an accurate appraisal of a painting within minutes. With

executive hiring, though, people who think they are naturally equipped to “read” people on the fly are setting themselves up to be fooled big-time.

2. *The Sponge*. A common approach among busy managers is to let everybody interview a candidate to soak up what they can. The Sponge's ultimate assessment of the person he hires rarely goes deeper than “He's a good guy!”
3. *The Prosecutor*. Prosecutors aggressively question candidates, attempting to trip them up with trick questions and logic problems. In the end, trick questions might land you the most knowledgeable candidate, but knowledge and ability to do the job are not the same thing.
4. *The Suitor*. Suitors are more concerned with impressing candidates than assessing their capabilities. They spend all their time in an interview talking and virtually no time listening. Suitors land their share of candidates, but they take their chances with a candidate actually being a good fit.
5. *The Trickster*. These are the interviewers who use gimmicks to test for certain behaviors. They might throw a wad of paper on the floor, for example, to see if a candidate is willing to clean it up, or take him to a party to see how he interacts with other partygoers.
6. *The Animal Lover*. Many managers hold on stubbornly to their favorite pet questions — questions they think will reveal something uniquely important about a candidate. Not only do questions like this lack any relevance or scientific basis, but they are utterly useless as predictors of on-the-job performance.
7. *The Chatterbox*. This technique has a lot in common with the “la-di-da” interview. You're supposed to



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be picking up a future trusted colleague, not someone with whom you can bat around baseball stats.

8. *The Psychological and Personality Tester.* The *Handbook of Industrial/Organization Psychology* recommends against using these types of tests for executive selection decisions, and with good reason. Savvy candidates can easily fake the answers based on the job for which they are vying.
9. *The Aptitude Tester.* Tests can help managers determine whether a person has the right aptitude for a specific role, such as persistence for a business development position, but they should never become the sole determinant in a hiring decision.
10. *The Fortune-Teller.* Just like a fortune-teller looking into a crystal ball to predict the future, some interviewers like to ask their candidates to look into the future regarding the job at hand by asking hypothetical questions. Remember, it's the walk that counts, not the talk.

Finding A Players

An A Player is defined as *a candidate who has at least a 90 percent chance of achieving a set of outcomes that only the top 10 percent of possible candidates could achieve.* You need to initially stack the odds in your favor by hiring people who have at least a 90 percent chance of succeeding in the role you have defined.

How do you get an A team? The solution is called the “ghSMART A Method for Hiring,” or the “A Method” for short. You can think of each line in the letter A and the underline as four steps that build the whole method. The four steps are:

1. *Scorecard.* By defining A performance for a role, the scorecard gives you a clear picture of what the person you seek needs to be able to accomplish.
2. *Source.* Systematic sourcing *before* you have slots to fill ensures that you have high-quality candidates waiting when you need them.
3. *Select.* Selecting talent in the A Method involves a series of structured interviews that allow you to gather the relevant facts about a person so you can rate your scorecard and make an informed hiring decision.
4. *Sell.* Selling the right way ensures that you avoid the biggest pitfalls that cause the very people you want the most to take their talents elsewhere. ●

Scorecard: A Blueprint for Success

Scorecards describe the mission for the position, outcomes that must be accomplished, and competencies that

fit with both the culture of the company and the role.

Mission: The Essence of the Job

The mission is an executive summary of the job's core purpose. For a mission to be meaningful, it has to be written in plain language, not the gobbledygook so commonly found in business today. Here is a perfect example of what *not* to do: “The mission for this role is to maximize shareholder value by leveraging core assets of the NPC division while minimizing communication deficiencies and obfuscations.” You'll know you have a good mission when candidates, recruiters and even other members of your team understand what you are looking for without having to ask clarifying questions.

Outcomes: Defining What Must Get Done

Outcomes, the second part of a scorecard, describe what a person needs to accomplish in a role. Either a sales vice president can close \$50 million of business by the end of year three or he can't. Set the outcomes high enough — but still within reason — and you'll scare off B and C Players even as you pull in the kind of A Players who thrive on big challenges that fit their skills.

While typical job descriptions break down because they focus on activities or a list of things a person *will be doing* (calling on customers, selling), scorecards succeed because they focus on outcomes, or what a person *must get done* (grow revenue from \$25 million to \$50 million by the end of year three).

Competencies: Ensuring Behavioral Fit

Competencies define *how* you expect a new hire to operate in the fulfillment of the job and the achievement of the outcomes. What competencies really count?

- Efficiency
- Honesty/integrity
- Organization and planning
- Aggressiveness
- Follow-through on commitments
- Intelligence
- Analytical skills
- Attention to detail
- Persistence
- Proactivity

In addition, you might want to consider some of the following competencies:

- Ability to hire A Players (for managers)
- Ability to develop people (for managers)
- Flexibility/adaptability
- Calm under pressure

The Scorecard in Action: A Case History

Sewickley Academy, an independent prekindergarten to grade 12 school on the outskirts of Pittsburgh, engaged ghSMART to help it select a new head of school. The board decided that the mission for the role was to improve the curriculum for the students, strengthen the faculty and staff, and put the school on even stronger financial footing. They wanted someone who was professional, disciplined, caring, fair and diplomatic. They also wanted someone who would set high standards and hold people accountable for meeting them.

The board found three candidates and was attracted to two who had recent classroom backgrounds. They initially disregarded their third candidate, Kolia O'Connor because he came across as too "corporate" and aggressive. Yet by comparing each of these three people's track records to the scorecard, ghSMART found that O'Connor was actually the best fit. The data gathered in the hiring process proved to the board that O'Connor was a strong fit for the scorecard, and they hired him for this challenging head-of-school post. Five years later, he has successfully reversed a budget deficit, reduced tuition increases, increased annual giving to record levels, hired nine A Player faculty members, overhauled the curriculum and even instituted Mandarin Chinese classes.

- Strategic thinking/visioning
- Creativity/innovation
- Enthusiasm
- Work ethic
- High standards
- Listening skills
- Openness to criticism and ideas
- Communication
- Teamwork
- Persuasion

Cultural Competencies: Ensuring Organizational Fit

Evaluating cultural fit obviously begins with evaluating your company's culture. That takes time and energy but often yields insights whose usefulness goes beyond the hiring process.

Try gathering your leadership team in a room and asking this simple question: "What adjectives would you use to describe our culture?" It won't take long

before a picture emerges.

Evaluating culture sometimes means removing people who are not a fit. Culture fits — or misfits — inevitably affect the bottom line, but they are about much more than money.

From Scorecard to Strategy

Scorecards ensure not just that you have A Players but that the A Players are delivering A performances. A good scorecard process translates the objectives of the strategy into clear outcomes for the CEO and senior leadership team. The senior team then translates their outcomes to the scorecards of those below them, and so on. Scorecards set expectations with new hires, monitor employee progress over time, objectify your annual review systems and allow you to rate your team annually as part of a talent review process. ●

Generating a Flow of A Players

Of all the ways to source candidates, the No. 1 method is to ask for referrals from your personal and professional networks. Talented people know talented people, and they're almost always glad to pass along one another's names. People you interact with every day are the most powerful sources of talent you will ever find.

As valuable as outside referrals are, in-house ones often provide better-targeted sourcing. At ghSMART, in-house referrals are a key part of not only staffing policies but also promotions. Organizations of virtually any size can achieve much the same effect by building internal sourcing into their employee scorecards. Try including something along the lines of "Source [number] A Player candidates per year," then reward the effort by providing a financial or other incentive such as extra vacation time for those who achieve and exceed the goal. When employees are turned into talent spotters, everyone starts viewing the business through a *who* lens, not just a *what* one.

The idea of extending the reach of your search through "deputizing" some of the most influential people in your network is a good one. Deputizing friends of the firm will create new, accelerated sources of talent, but you still need to pay attention to process, and you have to be disciplined. Make sure that the deputies are reporting in on a regular basis, and whatever incentive you choose, check and double-check that it's sufficient so that busy people will participate.

Hiring External Recruiters and Researchers

Think of recruiters much the way you would think of a doctor or a financial adviser. The more you keep them

in the dark about who you are, what's wrong and what you really need, the less effective they will be. In fact, great recruiters are unlikely to accept an assignment from you unless they have an opportunity to get that view.

Recruiting researchers won't conduct interviews themselves. Instead, they'll identify names for your internal recruiting team or managers to pursue. You can help tailor the flow of candidates to your needs by taking time at the front-end to orient recruiting researchers to your culture, business needs, and even management style and preferences.

Sourcing Systems

The final step in the sourcing process, the one that matters more than anything else you can do, is scheduling 30 minutes on your calendar every week to identify and nurture A Players. Here's a best practice that puts that 30 minutes to work. Pull out your list of potential A Players and sort the list by priority. Now, start making calls until you have at least one live conversation. Done well, you will find you can connect with 40 or more new people per year. ●

The Four Interviews for Spotting A Players

According to 4,000 studies and meta-analyses that were examined, traditional interviewing is simply not predictive of job performance. How, then, do you winnow the candidates whom you have found through referrals or whom your recruiters and researchers have identified? The best and surest way is through a series of four interviews that build on each other:

- The screening interview
- The Topgrading Interview®
- The focused interview
- The reference interview

The Screening Interview: Culling the List

The screening interview is a short, phone-based interview designed to clear out B and C Players from your roster of candidates. We recommend that you conduct the screening interview by phone and that you take no more than 30 minutes. Four essential questions will help you build a comprehensive fact base for weeding out clear B and C Players in a screening interview.

1. *What are your career goals?* You give the candidate the first word rather than telling the person about the company so he or she can parrot back what you just said. Talented people know what they

want to do and are not afraid to tell you about it.

2. *What are you really good at professionally?* We suggest you push candidates to tell you eight to 12 positives so you can build a complete picture of their professional aptitude.
3. *What are you not good at or not interested in doing professionally?* If a candidate comes up woefully short, if the weaknesses are all strengths in disguise or if you see any deal killers relative to your scorecard, then screen the candidate out.
4. *Who were your last five bosses, and how will they each rate your performance on a 1-10 scale when we talk to them?* Notice the language used in the question. Not "if we talk to them." *When.* Candidates will be thinking, "Uh-oh, I'd better be honest."

After a candidate answers one of the primary questions, get curious about the answer by asking a follow-up question that begins with "What," "How" or "Tell me more." Sample questions include What do you mean? What did that look like? What happened? What is a good example of that? What was your role? What did you do? Sure, it can seem like you are probing a lot, but this is a key step in an important *who* decision that can affect your entire company.

The Topgrading Interview: The Power of Patterns for Choosing Who

The Topgrading Interview is the key interview within the "Select" step of the ghSMART A Method for Hiring. It's a chronological walk-through of a person's career. You begin by asking about the highs and lows of a person's educational experience to gain insight into his or her background. Then you ask five simple questions for each job in the past 15 years, beginning with the earliest and working your way forward to the present day.

1. *What were you hired to do?* In a way, you are trying to discover what their scorecard might have been if they had had one.
2. *What accomplishments are you most proud of?* A Players tend to talk about outcomes linked to expectations. B and C Players talk generally about events, people they met or aspects of the job they liked, without ever getting into results.
3. *What were some low points during that job?* Don't let the candidate off the hook. Keep pushing until the candidate shares the lows.
4. *Who were the people you worked with?* Begin by asking candidates for their boss's name. Next, ask what they thought it was like working with John Smith. Now ask, "What will Mr. Smith say were

your biggest strengths and areas for improvement?" Be sure to say *will*, not *would*.

5. *Why did you leave that job?* It is an important piece of the puzzle to figure out if somebody decided to leave a job after being successful (an A Player clue) or whether he or she was pushed out of a job by a boss who did not value their contribution (a B or C Player clue).

Conducting an Effective Topgrading Interview

The Topgrading Interview takes three hours for a senior executive (and less for more junior people). The length of the interview will help you in two ways initially. First, it will encourage you to get really good at the screening interview so you are able to spend most of your time Topgrading the best candidates. Second, it will enable you to reduce your hiring failure rate by such a wide margin that you will never hire another person again without using this methodology.

That said, we also recommend that you conduct the Topgrading Interview with a colleague — perhaps someone from HR, another manager or member of your team, or simply someone who wants to learn the method by observing you. One person can ask the questions while the other takes notes, or you can both do a little of each.

Five Master Tactics

Based on feedback from first-time users, here are five master tactics to make the Topgrading interview as easy and effective as possible.

Master Tactic #1: Interrupting

You have to interrupt the candidate. If you don't, he or she might talk for 10 hours straight about things that are not at all relevant. The bad way to interrupt somebody is to put up your hand like a stop sign gesture and say, "Wait, wait, wait. Let me stop you there. Can we get back on track?" The good way to interrupt somebody is to smile broadly, match their enthusiasm level and use reflective listening to get them to stop talking without demoralizing them.

Master Tactic #2: The Three P's

The three P's are questions you can use to clarify how valuable an accomplishment was in any context. The questions are:

- How did your performance compare to the *previous* year's performance?
- How did your performance compare to the *plan*?
- How did your performance compare to that of *peers*?

Master Tactic #3: Push Versus Pull

People who perform well are generally pulled to greater opportunities. People who perform poorly are often pushed out of their jobs. Do not hire anybody who has been pushed out of 20 percent or more of their jobs. After you ask, "Why did you leave that job?" you will hear one of two answers:

1. *Push*. "It was mutual." "It was time for me to leave." "My boss and I were not getting along." "Judy got promoted and I did not." "My role shrank." "I missed my number and was told that I was on thin ice."
2. *Pull*. "My biggest client hired me." "My old boss recruited me to a bigger job." "The CEO asked me to take a double promotion." "A former peer went to a competitor and referred me to his boss."

Master Tactic #4: Painting a Picture

You'll know you understand what a candidate is saying when you can literally see a picture of it in your mind. For example, a candidate might say she is an excellent communicator. Don't assume you know what that means. Get curious to truly understand.

Master Tactic #5: Stopping at the Stop Signs

If someone says, "We did great in that role," while shifting in his chair, looking down and covering his mouth, that is a stop sign. When you see that, slam on the brakes, get curious and see just how "great" he actually did.

The Focused Interview: Getting to Know More

The focused interview is similar to the commonly used behavioral interview — with one major difference: *It is focused on the outcomes and competencies of the scorecard*, not some vaguely defined job description or manager's intuition.

For example, let's say you are hiring a VP of sales. The scorecard you created has four outcomes on it. In addition, let's say you have identified six competencies that define success in the job. Try assigning three members of your team to perform focused interviews based on this scorecard. Each interview should take 45 minutes to one hour, depending on how many outcomes and competencies you assign to each interviewer.

The Reference Interview: Testing What You Learned

There are three things you have to do to have successful reference interviews. First, pick the right references. Review your notes from the Topgrading Interview and pick the bosses, peers and subordinates with whom you

Summary: WHO

would like to speak. Second, ask the candidate to contact the references to set up the calls. Third, conduct the right number of reference interviews. You should personally do about four and ask your colleagues to do three, for a total of seven reference interviews.

The A Method uses five simple questions for the reference interview:

1. In what context did you work with the person?
2. What were the person's biggest strengths?
3. What were the person's biggest areas for improvement back then?
4. How would you rate his/her overall performance in that job on a 1-10 scale? What about his or her performance causes you to give that rating?
5. The person mentioned that he/she struggled with ____ in that job. Can you tell me more about that?

People don't like to give a negative reference. Your best defense is to pay very close attention to *what* people say and *how* they say it. A reference who hesitates is typically trying hard not to say something that will condemn your candidate or put him- or herself at legal risk.

Decide Who to Hire

Your goal after the Topgrading and focused interviews is to decide whether to continue the process with a particular candidate. Begin by examining skill. When you believe there is a 90 percent or better chance the candidate can achieve an outcome based on the data you gathered during the interview, rate him or her an A for that outcome. Next, evaluate will. Will has to do with the motivations and competencies a candidate brings to the table. Repeat the process for each competency.

How will you know when you have hit the skill-will bull's-eye? When (1) you are 90 percent or more confident that a candidate can get the job done because his or her skills match the outcomes on your scorecard, and (2) you are 90 percent or more confident that the candidate will be a good fit because his or her will matches the mission and competencies of the role.

With all this great data, the decision should be easy. Here is what you do:

1. Take out your scorecards that you have completed on each candidate.
2. Make sure you have rated all the candidates on the scorecard.
3. If you have no A's, then restart the process at the second step: source.
4. If you have one A, decide to hire that person.
5. If you have multiple A's, then rank them and decide to hire the best A from among them. ●

Marshall Goldsmith's Behavioral Warning Signs

Nobody has studied behavioral warning signs more than Marshall Goldsmith, named by *BusinessWeek* as one of the most influential practitioners of leadership development in history. Goldsmith identifies 20 behavioral derailers that can hurt an executive's career. When we asked him which of those derailleurs to consider during the hiring process, he offered this list:

- Candidates who boast about winning battles that do not matter much.
- A candidate who tries to add too many of his own ideas to yours.
- Starting a sentence with "no," "but," or "however" during the interview process.
- Telling the world how smart we are.
- Making destructive comments about previous colleagues.
- Passing the buck.
- Making excuses.
- Making comments that start "That's just me."

Sell: The Top Five Ways to Seal the Deal

Sell is the fourth and final step in the A Method for Hiring. It turns out that candidates tend to care about five things, so make sure that you address each of these five areas until you get the person to sign on the dotted line. The five areas, which we call the five F's of selling, are fit, family, freedom, fortune and fun.

- *Selling Fit*. Fit is by far the most important point to sell. Fit means showing the candidate how his or her goals, talents and values fit into your vision, strategy and culture.
- *Selling Family*. Sometimes sealing the deal takes more than asking about a would-be hire's family. So bring them to town and show them around. Hire a real-estate broker to give them a tour of possible neighborhoods and schools. Take them to dinner. Introduce them to other awesome families of your teammates.
- *Selling Freedom*. A Players want to operate without micromanagement, develop their own leadership styles and prove their own worth. Show them that both you and your organizational culture will support their need for freedom, and you'll go a long way toward sealing the deal.

Summary: WHO

- *Selling Fortune*. Research shows that while money can be a disincentive if it is too low or not linked to performance, it rarely is the key motivator. That doesn't mean you can ignore it. Scorecards define A performance and provide objective metrics for monitoring it. Linking bonuses to scorecard attainment ensures that you pay top compensation only when you get A performance.
- *Selling Fun*. What "fun" means, of course, is closely tied to corporate culture.

Five Waves of Selling

There are five distinct phases of the hiring process that merit an increased selling effort on your part.

The waves are:

1. When you source.
2. When you interview.
3. The time between your offer and the candidate's acceptance.
4. The time between the candidate's acceptance and his or her first day.
5. The new hire's first 100 days on the job.

Selling during the interview process typically happens toward the end of each interview. The question time at the end is when you put on your sales hat, assuming you still see potential in the candidate.

Backing too far away at the point between offer and acceptance can feel a lot like a cold shoulder. Stay in touch with candidates on a regular basis. Show them how much they will fit with and contribute to the company. Woo their families. Commit to giving them freedom and autonomy to do their job. Address financial concerns. And involve them in the fun your employees are already having.

Finally, the big day comes when your new A Player joins the company. But guess what? You still aren't done selling. People get buyer's remorse during these early months and are tempted to cut their losses. The good news is that all the work you have done up to this point — the scorecard, sourcing and selection process — should have given you enough insight to create a program to ensure the new hire's success. ●

Your Greatest Opportunity

Hiring is a serious business. The attempt has been made to demystify and simplify the process for you, but no one can ignore the legalities of hiring. Many managers get themselves and their companies into big trouble by ignoring basic principles. Work with your HR

people and employment legal team to gain a thorough understanding of all the issues to be aware of.

Legal Traps to Avoid

To stay well within the law, respect these four areas of caution:

1. *Relevance*. Do not reject candidates for reasons that are not relevant to the job.
2. *Standardization of hiring process*. A standard process ensures fairness across all groups.
3. *Use nondiscretionary language during interviews and in written forms*. Obviously, never use language that is derogatory toward anyone.
4. *Avoid asking candidates illegal questions*. In the United States, these questions include anything to do with marital status, intention to have children, whether or not candidates are pregnant, when they were born, where they were born, medical condition (unless specifically relevant to the performance of the job), race or ethnicity, sexual orientation, or physical or mental handicaps (again, unless directly relevant to the performance of the job).

Thoughts on Building Your Team

Over the years the thought of hiring a full team of A Players can make many managers nervous. There are even managers who express their fears explicitly: "Aren't A Players the athletes who don't work well together?" or "Isn't there an inherent conflict because they all want to be the star?"

A Players get the job done while embracing the culture *because the scorecard ensures that they fit the culture*. Collectively, they form an A team because they know how to pull the oars together. While the A Players you bring in need to be attuned to your culture, the culture needs enough elasticity to embrace the A Players who can challenge you in areas where you need to be challenged. Seeing it all come together is truly a beautiful thing. ●

RECOMMENDED READING LIST

If you liked *Who: The A Method for Hiring*, you'll also like:

1. *The Talent Powered Organization* by Peter Cheese, Robert J. Thomas and Elizabeth Craig. Combining strategic insight with proven and practical methods, this book is essential for people at all levels in any organization.
2. *The Enthusiastic Employee* by David Sirota, Louis A. Mischkind and Michael Irwin Meltzer. Drawing on 30 years of research and experience, the authors explain why high employee morale is good for the bottom line.
3. *Deciding Who Leads* by Joseph Daniel McCool. The author reveals how senior management recruiters influence everything from executive compensation to profits, culture and the definition of leadership itself.

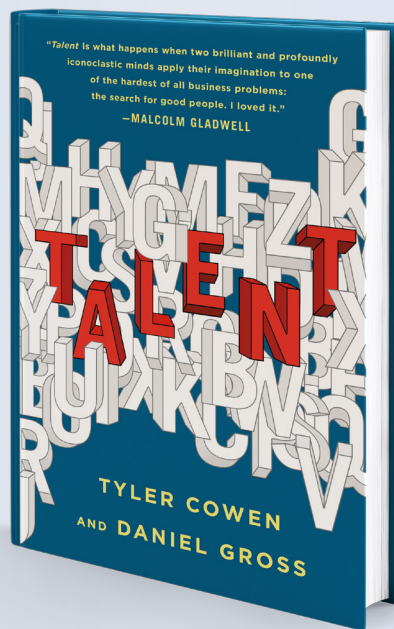
· Book 26 of 46 ·

Talent

Tyler Cowen, Daniel Gross

BOOK SNAPS™

Zooming In On Your Next Read



Talent

How to Identify Energizers, Creatives, and Winners Around the World

By Tyler Cowen and Daniel Gross

Tyler Cowen holds the Holbert C. Harris chair in economics at George Mason University. He is the author of *Discover Your Inner Economist* (2007), *Create Your Own Economy* (2009), the New York Times bestseller *The Great Stagnation* (2011), *An Economist Get Lunch* (2012), *Average is Over* (2013), and a number of academic books.

Daniel Gross is an entrepreneur and investor. At 18, he was accepted into Y-Combinator, the youngest founder ever at the time. He founded Cue, an AI-powered search engine, which was acquired by Apple in 2013. In 2018, Daniel founded Pioneer, a search engine for the millions of “Lost Einstein’s.”

Finding Talent with a Creative Spark

References to sixteenth century pirates is not something one necessarily expects to see in a book about searching out and landing talent; nevertheless that is precisely what can be found in Tyler Cowen and Daniel Gross’s book about the talent search entitled, *Talent: How to Identify Energizers, Creatives, and Winners Around the World*. Just like pirates of centuries past needed to be brazen and ooze charisma, so does a modern day corporate creative or the potential inventor of the next great product that will revolutionize the world we live in.

Both Cowen and Gross spend their days searching for talent, and as such, they have much advice to the person looking to improve their skills in this area. What they say talent searchers need to avoid most is a bureaucratic approach to finding talent. A search like this focuses too strongly on credentials and not strongly enough on finding the creative spark and drive in a person that can propel them to heights beyond their peers. Some recruiters, they posit, spend too much time looking for a proven track record. This is not necessarily a bad thing, but such a focus will not allow recruiters to find the up and comer or the diamond in the rough.

The Talent Search Is Both A Science And An Art

One of the necessities of uncovering hidden promise is to understand creativity and what motivates and propels people to pursue it. Oftentimes recruiters and talent seekers have a large amount of data about a candidate. They may also possess great understanding of behavior and personality traits. Neither of those, however, is of much use unless he or she can take those paradigms and use them to help them effectively evaluate the individual in front of them.

The first area that Cowen and Gross examine is the interview. One main trap that the two authors hope their readers avoid is relying on questions during an interview that are so predictable that the interviewee can prepare and rehearse an answer in advance. These answers do not provide the interviewer with quality information about the candidate because they will get a canned, prepared, and possibly performative answer. The two authors want their readers to, instead, develop questions that the inter-

viewee is not prepared for and that will therefore steer them into authenticity. This authenticity will give the interviewer more insight into who the candidate is than a canned answer ever could.

One of these questions they recommend is, “What are the open tabs on your browser right now?” They like this question because they believe that what a person does in their downtime can reveal their potential professionally. This will help the interviewer know if the candidate truly is creative. It will also provide insight into what the candidate does to continually self improve. Candidates not overly focused on self improvement may come in with high skill levels, but they are unlikely to advance much more than that. Individuals, however, who are continually seeking improvement can grow exponentially and can thus prove to be highly beneficial employees in the long run. Further, they recommend asking interviewees what exactly they do to improve their skills. This will give insight into their growth potential while also giving the interviewee helpful tips for how they can improve their own skills.

Cowen and Gross differentiate between structured and unstructured interviews. They focus on the latter for many situations and instances because these interviews help the interviewer understand who the candidate is in a more authentic setting. They recommend changing rooms mid-interview, meeting at a coffee shop, going on a walk, or finding some that means by which to get the candidate out of interview mode and thus allow for more accurate reflections of who the person actually is. In the same vein, the authors recommend trying to get the interviewee to tell stories about him or herself. It is not as easy for most people to lie when telling a story, and thus, stories give the interviewer a good opportunity to look for both sensitivity and intelligence.

Another suggestion the authors have is to find out how much interviewees know about themselves. Two questions that can help with this are, “Which of your beliefs are you least rational about?” and “What views do you hold almost irrationally?” These questions move the interviewee into an area of weakness which can help the interviewer understand them more fully. To understand an interviewee’s level of ambition, a person can ask them directly, “how ambitious are you?” The answer is hard to fake according to the authors, and as such, it will give some added insight.

Engaging with people online provides a whole new set of challenges, but in today’s marketplace, online interviews and meetings are not uncommon. They also, however, provide a set of opportunities. There is not a lot of research on online interviews, and as such, there is not a set of best practices readily available. Keeping note of some of the difficulties of online interviews can help an interviewer compensate for them to the best of their ability. One of the difficulties of online interviews is that it is harder to establish trust because it is harder to see body language and discern eye contact. Many people rely on these cues in order to gauge how their interview is going. To overcome this, the authors recommend trying to make the interviewee feel more comfortable by sharing common interests and using self-deprecating humor.

Online conversations also alter the appearance of status markers. Because of this, some women “feel on more equal footing on a Zoom call.” Charisma comes across differently on screen, so some who rely on their charisma find they have more difficulties online. People who are concerned with coming across well often do worse online whereas people who do not care so much about presenting their own imperfections often do better. For people who struggle with this type of interview, Gross recommends turning off the video and conducting the interview just over audio. It is important to keep in mind that an online conversation is not the same as an in-person one. Being aware of this can help an interviewer understand what information they are able to get online and what information they cannot.

Intelligence And Its Role In Success

After all, it is important to know just how much a talent searcher should focus on this one area. Obviously intelligence has some very notable advantages. It can help people “find new ideas and put the pieces together where others cannot.” It also helps a person gain credibility when among the higher ranks of leadership.

Very high intelligence is more important in certain fields than others, however. One of these fields is that of inventors. In other high-esteem fields, however, like law and medicine, parental education actually plays a larger role than IQ in determining who succeeds. Where intelligence matters the most is often at the very top of a market. At the bottom of the market, personality and conscientiousness often matter more. Success cannot be attributed to one trait, however, and the multiplicative model of success helps explain that “final success requires a fairly tight combination of several traits - variables expressing the strength of particular traits are in some manner multiplied together to achieve a powerful final effect.” It is important to have “the whole package” when looking for people with the highest levels of achievement.

The importance of intelligence can be seen when selecting members of a team. Cowen and Gross explain how intelligent people “feed off each other and make each other better.” A single person cannot often make a huge change in an organization, but when paired with other intelligent people, they have more of a possibility of making a difference. There is also “direct evidence that higher-intelligence people are better at cooperating.” This is another crucial skill on any team.

Other factors can be just as important or even more important than intelligence. Among these are “drive, self-motivation, curiosity, and ethics.” In many cases, intelligence does not do a very good job of predicting income. A look at the IQs and performance of several of our last presidents shows that IQ and job performance are not always linked.

The Five Factor Personality Theory

This theory measures neuroticism, extraversion, openness to experience, agreeableness, and conscientiousness. While these five traits provide a solid framework for discussing personality, the authors are clear to note that this model is not perfect at



... the two hardest traits to determine in an interview are conscientiousness and emotional stability.”

predicting success, and it ignores some other important traits. When considering studies about these or other traits, talent seekers do not have to concern themselves with the determining between causation and correlation. Merely knowing a correlation can help a talent seeker find who they are looking for.

Personality traits are not always easy to determine in an interview. Cowen and Gross state that the two hardest traits to determine in an interview are conscientiousness and emotional stability. Interviewing references can help a little bit with this, but often unfortunately, conscientiousness cannot be determined until after a hire has been made.

Determining which traits to focus on depends largely on the type of position a person is hiring for. Research has found that conscientiousness and extraversion can correlate with an increase in earnings, but agreeableness can actually correlate with lower earnings in men. When looking at “the bottom tenth of earners, non-cognitive skills matter two and a half to four times more than do cognitive skills.” This does not hold true across the rest of the spectrum where cognitive ability starts to matter much more. While conscientiousness is often seen as a benefit, the authors note that it can sometimes hamper creativity and daring, and this can sometimes outweigh the benefits of conscientiousness.

The five factor theory ignores some other crucial personality traits. Other traits that are often beneficial include stamina, continuous self-improvement, and generativeness. Generative people are described by the authors as people who “talk quickly, move quickly, and in general seem to be enthralled with life.” On the other hand, one trait the Cowen and Gross warn against is insecure achievement. This occurs in people who perform well but never feel that it is good enough. Clutteredness, vagueness, precision, and precocity are other factors to consider in possible talent.

Another factor to take into consideration is disability. Cowen and Gross reject the notion that a disability should automatically eliminate a candidate from consideration. Oftentimes people with disabilities have other beneficial abilities specifically because of their unique makeup. Others develop coping mechanisms that make them particularly strong candidates. The authors go into detail about the benefits autistic and schizophrenic individuals can bring to companies. Merely having a disability clearly does not imply that a person will be qualified for a job or gifted in a certain manner. It also, however, does not imply that they should be disqualified automatically.

People have biases, and that can help explain some difficulties that women and minorities face in the hiring process. An inter-

viewer should be aware of these difficulties and differences. For example, “personality for women predicts earnings with more power than personality for men.” Emotional stability, for women, plays a significant role in their earnings. This will affect how women interview and how they interact in the business world. Because women and men act differently and because “many talent-spotting mechanisms are more geared towards males,” it can be harder for women to get noticed and hired.

Race bias also plays a role in hiring practices. At times this can lead Black interviewees to act more formally in an interview as they try to maneuver through the power structures. There are ways for interviewers to overcome their biases that the authors recommend. These include traveling abroad, reading autobiographies, visiting Black churches, and reading and listening to “some of the more radical takes on race.”

Cowen and Gross go on to discuss the role of talent scouts. They say that “the scouting model tends to be very effective when talent search is about starting with a very large pool and needing to narrow it down to a much smaller number of plausible competitors.” They go on to explain that scouts are most beneficial in places where there is not a high concentration of qualified people. They use the example of a model scout in Manhattan. Likely people with the looks and talent to become models have already considered that proposition. If scouts go to the Midwest or other less saturated markets, however, they can find the undiscovered talent they are looking for before others do.

Once talent has been found, it becomes important to convince them to join your cause. Cowen and Gross note that “finding talent is not completely separate from helping to create talent.” One way to help spur on talent is through raising people’s aspirations, helping them see what they are capable of. This can be done by placing people in groups with strong role models.

Finding and securing talent is as much an art as it is a science. Cowen and Gross present the data surrounding traits such as intelligence and conscientiousness. They also go into depth providing interview tips and guidelines for improving one’s scouting abilities. They maintain throughout that the art of the talent search requires the searcher to judge each person as an individual, paying attention to the unique personality, skill, and experience that make the person worthy of your enterprise.

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· Book 27 of 46 ·

Talent Economics



Talent Economics

The Fine Line Between Winning and Losing the Global War for Talent

THE SUMMARY IN BRIEF

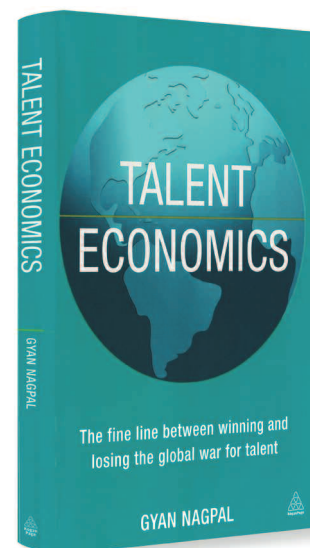
The microscope on talent is in sharp focus, and HR has more programs and processes to manage talent than ever before. Yet many CEOs continue to see talent management as an escalating risk. The truth is that market realities across the world are so fundamentally different that one-size solutions almost never succeed.

Talent Economics is a refreshingly new, outside-in view on talent, which brings workforce analysis, management practice and strategy together. It uses economic inquiry as a discipline to present a brand new perspective on talent management—as simply put—economics is the study of how the forces of supply and demand allocate scarce resources.

Talent Economics presents business leaders an opportunity to step back and understand the ebb and flow of global talent, before translating this new understanding into a winning strategy.

IN THIS SUMMARY, YOU WILL LEARN:

- To understand key global trends in talent resources.
- How to develop purposeful leaders and innovators.
- How to manage the diversity of human resource present in today's global marketplace.
- How to apply macro and micro talent economics.
- How to develop a 21st-century talent strategy.



by Gyan Nagpal

CONTENTS

Complexity, Economics and 21st-Century Globalization

Page 2

Purposeful Leaders and Innovation

Page 3

Macro Talent Economics: the Study of Aggregate Talent

Page 4

Micro Talent Economics: Managing the 21st-Century Employee

Page 6

21st-Century Talent Strategy

Page 7

THE COMPLETE SUMMARY: TALENT ECONOMICS

by Gyan Nagpal

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Complexity, Economics and 21st-Century Globalization

If multinational companies today want to be global companies tomorrow, they will need different approaches to product development, different approaches to innovation, and different management approaches to what we see commonly today. By definition, a “truly global” firm in 2020 should have the ability to be domestically relevant to consumers in both developed and developing markets at the same time.

The State of Current Strategy

If we analyze the current set of companies operating across both developed and emerging markets, we see three “broad bucket” business strategies in popular use.

Strategy A. A company is an international organization motivated to exist in emerging economies principally through a *cost play*. This could be through low-cost manufacturing, material procurement or sourcing of services. In general, a strategy A company still earns 75 percent or more of its revenue from a primary home market.

Strategy B. These organizations are motivated to generate significant revenues from both mature and emerging markets, but principally via a *product play*. Tactics include distribution of a similar product globally and creating a common global brand presence. For a company like this, 40–60 percent of revenues may come from overseas and emerging markets, supplementing an already healthy home-market revenue system.

Strategy C. This strategy is followed in organizations that innovate and tailor products in specific response to market realities. This could mean having an entirely different product or brand strategy for each type of market. These firms tend to be deeply embedded in high-growth economies, with differentiated products that compete across a broad price spectrum. Let's call this a *market play*. Tactics here include building local brands, a distribution presence in smaller towns and cities, and hiring senior local leaders with significant autonomy to drive product strategy. In this case a majority of revenues (60–70 percent) may come from non-traditional (i.e., other than home) markets.

Most companies that follow strategy C also adopt strategies A and B in their overall approach. This template demonstrates the greatest commitment to building a truly global organization. It also represents the best strategic balance between global production synergies and investment or consumption opportunities in both the emerging and developed world.

With more than half the world's GDP at stake, ambitious global companies competing for shareholders' attention will have no option but to adopt strategy C approaches. The change will undoubtedly reshape the current DNA of a successful global business entity. Management styles will need to change, as will current approaches to managing resources, including the most critical one — talent.

Virtual Work

From the workforce's perspective, virtual work and remote computing have begun to make an impression



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Summary: TALENT ECONOMICS

on the way we work — albeit slowly — because of archaic supervisory mindsets that have refused to relent. But the cost-benefit equation is getting increasingly difficult to ignore. With cheaper, secure multimedia access now available, flexible working is a credible alternative like never before, and, as recent research proves, employees want this.

Talent Commoditization — a Supply Shift

On the surface, the fundamental employment equation between the individual and the organization remains the same: a salary for output, benefits for belonging and a career for contribution. But in practice, over the last 40 years many underlying employment assumptions have irreversibly changed.

The concept of retirement is one such casualty, although optimistic employees still seem to cling to both the concept and the term.

Over the last 30 years, the greater monetization and portability of benefits, a critical ingredient of an enduring employment agreement — retirement income — was no longer a function of loyalty to one employer. Talent had truly become portable. Consequently, “experience,” when no longer a measure of security, becomes what it is now — freely exchangeable currency. Employees can now monetize their value and seek better pay and benefits elsewhere, and this makes perfect sense, as the employee alone is responsible for funding his or her retirement needs and lifestyle.

We stand on the threshold of the next war for talent. This one is less about employee retention and HR processes. It is more about reinventing employment. The winners will be those who move anchors for their business. The losers will try and retrofit old HR policies and arrangements to a radically new talent-value system. ●

Purposeful Leaders and Innovation

At the heart of a CEO’s decision model and espoused strategy lives leadership purpose. Leadership purpose is an all-encompassing superset of vision, focus, values, learning, conditioning, goal orientation and time reference. A leader needs to have this, as it provides both anchor and compass to weather short-term challenges and navigate towards long-term success.

One way to clarify leadership purpose is to ask the question, “What are the one or two business priorities you hold sacrosanct? Are customer satisfaction, shareholder returns, product innovation or employee morale in your top two?”

One purposeful leader who has changed how his company operates at its core is Vineet Nayar of HCL.

CASE STUDY — HCL

HCL is an India-based technology company, which was losing market share to bigger rivals when Nayar took over as President in 2005. His route to turn the company around was a unique one. He forged a strategy to change the culture at HCL based on his ideology — that great companies are built around people more than anything else. Nayar calls it “EFCS” for “Employee First, Customer Second.” At HCL it is both a philosophy and a galvanizing force, which has not only created more transparency and accountability but also inverted the pyramid — acknowledging frontline employees as the most important in his organization.

Nayar himself says, “HCL was a traditional pyramid, in which frontline people were accountable to a hierarchy of managers. The hierarchy usually made it more difficult for employees to add value. I began to wonder if we could turn the organization upside down, so that senior management — the heads of enabling functions such as human resources and finance and even the CEO could become accountable to employees.”

It is easy to see Nayar’s leadership purpose in every decision he makes and every action he takes. It isn’t surprising that HCL doubled its net income within three years of Nayar taking charge.

Indeed, a leader without purpose is a leader by accident. ●

Talent Economics

There is something about a competition of equals that takes the game to a completely new level. Although loaded with risks and pressure, a playing field where everyone has a fair opportunity to win makes winners play beyond themselves and, over time, improves the game as a whole.

Global competition today doesn’t resemble anything we have seen in recent history, and, as a result, we cannot find recourse in a familiar set of rules. In reality, the game itself is changing, unwinding the very rules that have guided business for centuries. So much so that the match between the prosperous and the aspirants is increasingly beginning to resemble a competition of equals.

The Need for a Strategic Shift

A deciding factor of success in the global marketplace will be an organization’s skill at managing the diversity of its human resource. Yet our ability to manage “global

talent” hasn’t evolved at the same pace as our business footprint. How many times have we seen an organization make strategic decisions to invest millions of dollars in a new market or industry first and months later look at key talent metrics such as supply of engineers, graduate education numbers or workforce demographics as an afterthought? Many of these considerations probably only emerge during implementation, when an acute shortage of talent can be felt on the ground. In practice, because of insufficient or poor-quality HR forecasting, many companies end up missing performance deadlines or having to rely on expensive expatriations to plug critical capability gaps.

There are two solutions to this problem. First, include strong talent analytics and talent strategy formulation in the strategic business planning cycle and, second, don’t delegate this to the HR department.

This Isn’t the HR Department’s Job; It’s Yours

Managing talent is a line manager’s daily responsibility and, by that same yardstick, developing a proactive and commercial talent strategy is something that sits squarely on the business leader’s table. I am not saying the HR function mustn’t be involved. Indeed, the HR department has a very important role to play — a contributory and facilitative one. It has access to huge mountains of employee data, controls critical levers of employee engagement, and hence should have an important input to strategy. But the HR department shouldn’t be the one deciding strategic talent imperatives.

The first step for us is to clear up the confusion over roles and responsibilities. Leaders own; the HR department supports. ●

Macro Talent Economics: the Study of Aggregate Talent

Economic analysis must start with the big picture, with an attempt to see how conditions for business exist within an economic system in general. In the same vein, talent economics must begin by focusing on the labor force within a social system, be it a country, industry or job family globally. I recommend business leaders begin by identifying the macro talent trends swirling around them. By understanding changing workforce demographics, mobility trends or the student pipeline, business leaders start understanding the rules that govern the game.

Macro talent economics is the study of talent within a market system. As an input into strategy, it ensures that

we map a country’s workforce by analyzing the variables that have an impact on local employment conditions. By studying trends, we look to predict overall talent flows, availability of management talent, skills, employment proficiency and a host of other conditions that could have an impact on our organization’s people strategy and practices.

I recommend macro talent analysis always start with the study of three simple “quantitative” ratios that collectively establish the labor supply for a country in question. These are

1. Aggregate talent: the study of workforce changes in an economy.

2. Replacement and mobility ratios, which reflect birth rates and migration trends within an economy. In other words, how many workers enter the labor force for every retirement?

3. Age and dependency ratios, which seek to identify how much employable talent exists in relation to those who are unemployable. In simple terms, how many dependents does an average worker support, and is this number increasing or decreasing? Age is another important perspective. What are a country’s age forecasts telling us, and how will this have an impact on labor supply or employment conditions?

Once these three ratios are established, we move on to demographic ratios and an analysis of the workforce mix. There are two distinct demographic perspectives:

4. The workforce’s gender mix: average economic participation rates for women versus men at all levels of the labor force, with a particular emphasis on women at various layers of management.

5. Generational shifts: generational markers for the countries in question and the implications of these for employment preferences and practices.

And finally, we can analyze three “qualitative” macro variables critical to business:

6. Basic proficiency: the quality of basic education available and the impact it has on workforce proficiency levels.

7. Management proficiency: the quality of tertiary education experiences and the supply of future managers within an economy.

8. Governance and sustainability: the importance given to good governance and the ever-increasing focus on long-term sustainability within a social system.

Why are these eight insights important? Let’s assume a company has capital invested in 15 countries worldwide

and, as a result, runs individual country operations drawing from 15 distinctive talent markets. This company would be well served by macro trend analysis.

Examining similarities and differences between these markets could help inform strategic talent investments for both the short and long term.

An African Sunrise

Over this century, Asia barely tracks the global averages. The African labor force, currently devastated by the HIV epidemic and home to some of the poorest countries in the world, will grow over eight times its 1950 numbers. Latin America follows next, with the developed continents predictably at the bottom. The question every business leader must ask before investing millions of dollars in far-flung international markets is, “How will this have an impact on my business?”

The Global Workforce

Economic juggernauts such as Japan, Russia, Germany and China will all face a potential workforce contraction over the next 40 years, brought on primarily by historically low birth rates. Many emerging markets too have seen birth rates slide. But with relatively younger populations, emerging markets will continue to grow their labor pool, although the pace of growth will eventually slow. This growth, along with improved healthcare and education in many disadvantaged nations, will result in the global workforce growing by one third between now and 2050.

Age Issues of a Different Kind

Globally connected organizations will increasingly have to contend with the challenges age differences create for pay and benefit programs, performance equity and mobility of talent. 2020 isn't far away, and in some sectors of the global economy age differences are already playing out. For example, many companies shipping manufacturing or services activities over to high-growth emerging markets face the situation described in the following case study.

CASE STUDY

A large financial services firm was well into a major migration of transaction processing work from its U.S. operations over to an outsourced vendor in the Philippines. This is a very popular cost-play strategy in global organizations today. By shipping off basic services to low-cost emerging markets, many companies are able to reflect large savings in overall cost. The majority of

this saving comes from much lower labor cost, which in itself is influenced by a healthy supply of young talent lining up for jobs.

However, in this case, the migration of work to Manila was fraught with quality challenges, and many service levels were well below expectations. When we analyzed the situation, the reason for poor quality was not capability, motivation or the quality of upfront staff training — which was in fact quite comprehensive.

The two major reasons were extremely high employee turnover levels at the junior levels and inexperienced management. In this case, very inexperienced. The average supervisor was 25 years old; the average middle manager was 29. Each middle manager managed an operation made up of several hundred employees.

The situation isn't unfamiliar, and it represents a common reconciliation required when moving work overseas, especially to a country with a vastly different workforce.

An Imperative for Global Managers

As we can see, seismic socioeconomic events cause generations to tip. And with local realities being so different, there is no such thing as a South African baby boomer or a Chinese generation Y. What's more, the world's four largest economies have four entirely independent sets of generational markers. From an organizational perspective, understanding generation markers for different countries can provide fascinating management insight into cultural and motivational differences in the workplace. It has macro talent economic implications because it can also help us predict differences in behavior, expectations and management style across key talent markets. As a leader, I realized this the hard way in a very personal experience. In 2007, my direct team came from Singapore, England, Australia, India, Hong Kong, Japan and the Philippines. As a leader, it was fascinating to watch each team member demonstrate distinct cultural and generational preferences in the decisions made, a fact that sometimes did lead to occasional misunderstandings or conflict.

It was clear fairly early on that if we wanted to be a benchmark team — which hired, retained and grew the best talent — we would need to understand and appreciate our differences better. So we began investing a portion of each face-to-face meeting towards deciphering our individual cultural and generational codes. Not only was this a fun activity for the group; it increased our appreciation of interpersonal context and each other's opinion. ●

Micro Talent Economics: Managing the 21st-Century Employee

From a day-to-day perspective, just the big picture view isn't enough. For one, it can't predict changes in individual behavior. To do so, we must also understand how the circumstances surrounding the individual employee are changing and equally how the overall relationship between an employee and employer is changing. I call this the study of micro talent economics. There are seven indispensable practices for 2020.

1. Focus on finding the right talent. As a direct result of the war for talent, the HR function has started developing and using its own version of the CVP (customer value proposition) to drive talent-sourcing efforts. Called the employee value proposition (EVP), it helps advertise the specific attributes of a company that could prove attractive to potential employees, with a clear aim to promise exactly what can be delivered.

Similar to the CVP, a well-formulated EVP allows an organization to highlight and sell its employment experience in a deliberate, consistent and transparent manner. In a large diversified organization, this is imperative if it wants to avoid the risk of every hiring manager positioning the organization differently to candidates. A good EVP is nothing but the recipe of value an organization promises a prospective employee.

But the promise is only one part of this equation. The other part is delivery. In other words, does the candidate experience the culture promised once he or she joins? This can only happen if your EVP promises reality ('this is who we are') rather than aspiration ('this is who we want to be').

2. Build unconventional entry points for talent.

The reality is that careers increasingly come with a reboot button, and companies that realize this early possess a competitive talent advantage. This means we must be willing to explore the talent jungle beyond the well-trodden campus and lateral hiring routes. Here are some ideas:

- **Mid-career internships.** Involving nothing more complicated than taking the entry-level internship model further up the hierarchy, mid-career internships allow mature talent a unique, low-obligation entry point.

- **Returnsips.** A returnship is aimed at those seeking re-employment after an extended career break, particularly women.

3. Poach your talent before the competition does. We know that 21st-century employees are more

mobile and possess a broader career viewpoint than employees in the past. In an employment era such as the one upon us, this makes internal mobility a virtue. It is also a measure of an organization's health. Losing good people because we were not able to accommodate a "reasonable" desire for career or geographic mobility is nothing but poor management.

4. Create an expansive mindset. Traditionally, diversity efforts have focused on achieving an equitable demographic mix based on gender, race or age. In the future, though, with increasing business ambiguity, the focus must also be on achieving diversity of experiences, backgrounds and thought.

5. Open the window — think outside-in.

Another force set to reshape the 21st century employment equation is the rapidly growing quantity of outside-in intelligence on a company, freely available over the Internet. Apart from making both candidates and current employees better informed than ever before, the availability of what used to be confidential information is already proving very tricky for employers.

Pay information is one of many examples that highlight the need for organizations to be more reverse engineered and externally focused. Market intelligence is the name of the game, and for the first time in history, it is in the hands of the average employee.

6. Help innovation thrive — create organizational flow. The great organizations of the 21st century will be built on flow. The "quality revolution" in the latter half of the 20th century has taken us to a point where all products that reach a supermarket shelf work. Most do what they are meant to do quite well. The competitive differentiators of the future will be products that are the most innovative even though they may not be the best.

Flow grows from a foundation of improvement and mastery. Organizational flow is a deliberate and direct outcome of visible single-minded focus in a senior management team, i.e., leaders with a compelling vision and the ability to inspire the same vision in others.

There are three additional ingredients needed to achieve a purposeful and innovative flow organization in the 21st century. They are the right competencies, the right environment and the right incentives to drive innovation.

7. Measure and grow cerebral engagement. Cerebral engagement is all about flow — the flow of ideas and innovation. Are employees learning while doing? Do they bring ideas to work and share them with others? Are they willing to defend their ideas

against criticism? Do they thrive on change, and are they looking to innovate? ●

21st-Century Talent Strategy

By first decoding how a rapidly evolving global talent pool has an impact on your organization, you can eventually assemble the ingredients for your strategic response. To truly craft a “top-drawer” strategic response, I propose three fundamental principles for any talent strategy.

Principle 1: Talent strategy must start with deep diagnosis and respect for contextual differences.

The starting point of strategy is analysis focused both on external trends and the internal forces helping or hindering business growth. We want to be able to distinguish symptoms from their causes and map opportunities and risks within an overall talent system. Context is important too. It is sometimes easy to forget that even in the most global of organizations, 90 percent of talent is local. Hence talent strategy must also be locally relevant.

Strategic efforts must reflect the needs of all employee segments, all key locations and all parts of the business. It isn't prudent to focus investments and efforts on a small subset of the population.

Principle 2: Talent strategy must be built with a time and investment viewpoint. We want to be able to address short-term and long-term needs. Hence strategy must ideally have a three- to five-year viewpoint. Never just one year. That's because an annual plan can only address short-term needs in a short-term manner. Similarly, if we are serious about our strategic choices, we must invest time, leadership energy and money into them. This is as serious an investment as any company makes and hence should be able to deliver quantifiable business value.

Principle 3. Talent strategy must be owned by the CEO. The HR department has a key role to play during analysis, in supporting execution and as an overall facilitator, but accountability for execution of long-term talent strategy must rest with the business leader.

Your talent strategy doesn't have to be complex. In fact, I often encourage my clients to express each location's talent strategy on one page. The process to arrive at this one page manifesto, though, should be rigorous.

Step 1: Diagnosis

The aim of diagnosis is to arrive at a list of action areas that matter most. I have found there are 11 competing realities that vie for focus and investment within an organization's overall talent context. Some are external

to the company, while others are internal. Each is an independent variable, yet collectively they shape our talent priorities. Put together, these 11 perspectives provide a very competent diagnostic profile of your company's talent needs.

1. The local economic environment. The best place to start diagnosis is with an “outside-in” view of your business. Ask yourself, “What are our business circumstances, and how does this affect my talent choices?” Consider factors such as labor practices, capital market maturity, intellectual property laws, political stability and recent patterns of economic growth. For a single-location business, this will be relatively easy. However, if yours is a global company with hundreds of offices, I would recommend evaluating the countries that have 5 percent or more of your global headcount or that generate over 5 percent of your global revenues.

2. The supply of external talent available to your business. How much high-quality talent can you find in this location? This is where the analysis of macro talent trends comes in very handy. Education, migration, aging populations and generational shifts all affect the composition of available talent, as does the impact of government policy.

3. The quality of external talent available to your business. Consider a prominent location for your company today, and ask yourself how easy it is to find “skilled and ready-now” talent in this location.

4. The maturity and market share of your business. In countries where your market share is still small or you are trailing the dominant player or players, you will need to invest in differentiating yourself as an employer.

5. Your market standing as an employer. Conjoined to where you currently stand in your industry, also consider how attractive an employer you are. One way of doing this is looking at where you hire from and who hires from you.

6. Your internal talent demography. Every new employee starts out highly dependent on others for information, introductions, job assistance, emotional support and, most importantly, affirmative encouragement. If this exists, the journey from dependence to independence is an easy one. The best organizations help take employees beyond independence to a stage of interdependence, where they help each other succeed

Summary: TALENT ECONOMICS

and where they play as a team.

7. Your current management maturity. If we can get the people who matter most to lead effectively, over 90 percent of the leadership issues further downstream disappear automatically.

8. Your flow circumstances. We want an organization that accentuates employees' energy and can collaborate across boundaries. We don't want independence; we want interdependence — the ability to help each other win. Ask yourself, "How easy is it to maneuver across my company?"

9. Your innovation index. In the 21st-century, innovation has proven to be quite different. For one, it has become less about continuous small improvements. It is about quantum leaps. It isn't linear anymore; it's exponential. Being innovative isn't really a choice anymore.

10. Your growth and change agenda. While change is just one of the variables that helps delineate an organization's investment priorities, I would give it a place in the top three. That's because a refusal to change can be brutal. Look at the horizon. What are the changes facing your industry or organization? The higher you rate your change agenda, the higher "change capability" you should rank as a talent priority.

11. Your business strategy. Every destination needs a roadmap. So unless you already have this roadmap in front of you, ask yourself or your leadership team the following 10 questions:

- Where do we want to be in five years?
(The aspiration)
- What will help get us there?
(The game plan)
- What do we need to change?
(Our burning platform)
- Where will we need to invest?
(The best use of the scarce capital)
- What will our portfolio look like?
(Product evolution)
- Why will our customers choose us?
(Competitive advantages)
- What are our milestones along the way?
(Our scorecard)
- What does success look like?
(Hard measures)

Once you have answers to these eight questions, take your strategy through two more gateways:

- What are the biggest risks to success?

(Scenarios and contingencies)

- Why should someone invest in us today?
(The promise)

Step 2: Invest in Strategic Priorities

The next step is to craft the solutions and initiatives that will form the backbone of your talent strategy. There are four interests we must consider within this overall strategy: the needs of the individual, the needs of the group, short-term needs and long-term needs.

A simple planning approach helps us manage this polarity of time and focus. I call it the PITA model:

Professional: investments that strengthen current capability.

Interventional: investments that urgently address an existing problem.

Transformational: investments that build culture for the future.

Aspirational: investments that build talent or skills for the future.

Each of these represents a specific type of talent-strategy solution, and the exact recipe of solutions we pick is based wholly on the outcomes of diagnosis. What solutions would help you make the best use of your precious dollars? Eventually, we want to bridge the gap between your needs and your investments.

Step 3: Ownership and Focus

Strategy is a map, not a journey. The journey lies in effective execution of strategic imperatives. And this journey cannot be delegated. In large organizations this means leaders all across the organization must participate both in formulation and execution of talent strategy. Doing so won't just help them understand their talent needs better; it will help develop them as leaders too.

The 11 continuums help us diagnose and compare locations or businesses, and the PITA model helps us build a balanced set of solutions. But all this does is help us arrive at the right car with the right key. What we now need are leaders willing to start the engine and drive. ●

RECOMMENDED READING LIST

If you liked *Talent Economics*, you'll also like:

1. ***HR From the Outside In* by Wayne Brockbank, Dave Ulrich, Jon Younger.** Learn the six key HR competencies; how to develop HR professionals to be high-performers; and how to structure a HR department for top value.
2. ***The Rare Find* by George Anders.** Anders shares how to tell the really outstanding prospects including the ones who don't look so good on paper but might still deliver extraordinary performance.
3. ***The Talent Powered Organization* by Robert Thomas, Peter Cheese, Elizabeth Craig.** Talent is near the top of every leader's strategic agenda, but few organizations are managing their talent strategically. Combining strategic insight with proven methods, the authors offer helpful direction.

· Book 28 of 46 ·

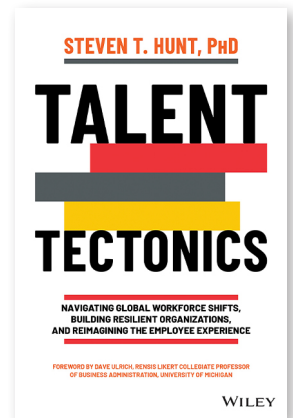
Talent Tectonics

Steven T. Hunt

Talent Tectonics

Navigating Global Workforce Shifts, Building Resilient Organizations and Reimagining the Employee Experience

by **Steven T. Hunt**



Contents

Forces Reshaping Work and Workforces

Page 2

The Employee Experience and Workforce Adaptability

Page 2

Work Technology and Organizational Agility

Page 3

Designing Organizations to Provide Positive Employee Experiences

Page 4

Developing Capabilities and the Employee Experience of Learning

Page 5

Where Do We Go from Here?

Page 7

THE SUMMARY IN BRIEF

Prior to the 21st century, where people physically lived heavily influenced the work they did and whom they worked with. Teams are no longer constrained by geography. Innovations in technology have created tools that are far superior to hierarchical org charts for capturing information about the employee roles, skills, and relationships that make a company function, yet relatively few companies have adopted these tools largely because it requires leaders to change how they make decisions.

Talent Tectonics: Navigating Global Workforce Shifts, Building Resilient Organizations and Reimagining the Employee Experience by Steven T. Hunt will help organizations build workforces for a future that is very different from the past. Readers will learn how the twin “talent tectonic” forces of digitalization and demographics are changing the nature and purpose of work as well as why the psychology of employee experience, one thing about work that is *not* changing, is critical to building adaptable and resilient organizations. By integrating business strategy, psychology, and technology, we can create more nimble companies that attract, develop, engage, and manage people for a new world of work.

IN THIS SUMMARY, YOU WILL LEARN:

- The forces that are reshaping work and workforces.
- Five activities that large companies need technology to do.
- Five aspects of organizational design that impact employee experience.
- Four elements of employee experiences that promote learning and growth.

Forces Reshaping Work and Workforces

The phrase *talent tectonics* describes underlying shifts reshaping work and organizations much like underlying geographic tectonic plates reshape the surface of the earth. Using this analogy of talent tectonics, the shift to remote work in 2020 can be likened to an earthquake. It was a sudden change in the visible nature of work that was made possible because of underlying advancements in technology that had been happening over decades. Remote work was a possibility before 2020, but what was needed was some triggering event to change people's attitudes. Sadly, it took a pandemic to get companies to rethink assumptions about the importance of having employees commute to office buildings every day. Once this triggering event occurred, the change happened extremely quickly and forever altered the landscape of work.

The biggest talent tectonic forces currently affecting work are digitalization and demographics. Digitalization is changing what companies need people to do and demographics are changing the characteristics of the people available to do it. These changes require companies to rethink how employees are managed and how jobs and organizations are designed. Companies must put what employees want on equal footing with what companies need. And societies must challenge long-standing assumptions about the nature of education, work, unemployment, and retirement if they want a population capable of competing in the 21st century global labor market.

Innovations in work technology combined with insights gained from psychology provide countless ways to rethink work and create employee experiences that attract, develop, and engage talent. This includes making work accessible, enjoyable, and meaningful for all people regardless of their current skill level and demographic characteristics.

The Employee Experience and Workforce Adaptability

People are the one constant in any organization. Companies can exist without actual products, services, or profits. But a company without people is just a legal document. An organization is, at its core, an organization of people. People are also the most effective resource that companies have for dealing with change, provided they are the right people, in terms of skills and capabilities, and they work together in

the right way. Working together the right way comes from creating the right employee experiences.

People are born adaptable. The competitive advantage of humans as a species is our ability to adapt to changing environments. It is called learning. The question is not how to teach people to adapt but how to create employee experiences that unlock people's innate adaptive ability. Managing for adaptability requires understanding the psychological factors that influence how people respond to change. This starts with dispelling the myth that people fear change. People do not fear change. They fear poorly managed change or change that leads to losing valuable resources or being forced to do things they do not want to do. But change in the right conditions for the right reasons is exhilarating.

Companies can influence how employees experience change. When faced with significant change people can adopt a growth mindset, which recognizes risks associated with change, but views the change primarily based on the opportunities it provides to achieve new things and develop new capabilities. Employees' adoption of a growth mindset is influenced by whether their experience of work meets two basic, innate psychological needs: a sense of achievement and a sense of confidence.

A sense of achievement is about tying work to something that is meaningful to employees. This creates energy and desire to persist in the face of challenges. When work taps into the innate desire to accomplish meaningful goals, employees are committed to finding ways to be successful in the face of change. For work to be meaningful, employees must have ownership over activities that they perceive as making a difference in something they care about. A key part of managing for adaptability is ensuring employees see a connection between their work and something that matters to them beyond simply punching a clock and getting a paycheck.

A sense of confidence comes from employees believing they have the capability to be successful. When employees lose confidence in the face of change, they give up, withdraw, or fall into despair. Another important factor is the people employees work with. Employees are far more confident and committed when they feel a sense of belongingness and support from those around them. An important part of managing for adaptability is creating connections and supportive relationships among employees who are facing similar challenges or have shared goals.

Large companies' lack of agility can make it difficult to attract talent who don't want to work for what they see as a big, slow-moving, impersonal, bureaucratic organization.

Work Technology and Organizational Agility

As digitalization accelerates the pace of change, companies must constantly adapt their practices and strategies in response to shifting markets, technological innovation, and changing regulations. This comes from having both the right culture and the right technology.

Leaders of large companies often want the urgency, creativity, responsiveness, and flexibility associated with small, growth-oriented companies. Small companies tend to have a stronger collective sense of purpose, greater urgency and openness to change, tighter communities where everyone knows everyone else, and cultures that value employees based primarily on the impact they have on company success. Large companies can create many of the employee experiences associated with small companies through fully leveraging the capabilities of work technology.

The five activities that large companies need technology to do to act like agile, small companies are:

1. People Decisions

Decisions about people make or break the success of organizations. The most significant are decisions about which people to put in different roles. These can be broadly divided into external staffing decisions and internal talent decisions. For external decisions, companies need technology that can evaluate the impact of adding or not adding headcount and ensure quality of hires across the organization. Technology can support internal talent decisions related to matching people to opportunities and evaluating the contributions and capabilities of people to guide decisions about who to reward, develop, or move into new positions.

2. Creating Communities

Companies need technology that can help leaders measure how people in the company work together and provide insights into how the formal structure of the organization affects the people relationships that drive company performance. They also need technology that enables

community members to effectively share information and coordinate activities in an efficient manner across large numbers of people.

3. Self-Management

Companies need technology that makes it clear to people in a large group why their individual contributions matter and how they can increase their effectiveness; that keeps people engaged by increasing awareness of the difference they are personally making for the company, its customers, and their colleagues; and that provides them with supportive feedback and constructive resources they can use to improve their level of impact.

4. Security and Compliance

A challenge facing large companies is how to maintain security and compliance without making the experience of work seem overly rule-bound and bureaucratic. What companies need is technology that automates many of the activities associated with security and compliance and reduces the amount of time employees have to spend thinking about it.

5. Saving Time

One of the common complaints of working in a big company is how long it takes to get things done. Companies need technology that facilitates communication and decision-making across groups, makes it easier for people to find resources and gain permissions required for different actions, and automatically performs routine administration functions. This technology reduces time required to get things done and frees up employee's time to focus on value-added activities.

Large companies' lack of agility can make it difficult to attract talent who don't want to work for what they see as a big, slow-moving, impersonal, bureaucratic organization. Technology cannot solve this dilemma completely, but it can help large companies act and feel more like small, agile ones. And it is this agile ability to change that increasingly makes the difference to company success.

Designing Organizations to Provide Positive Employee Experiences

Organizational design has a massive influence on employee experience. Company and employee perspectives can be balanced to create mutually beneficial outcomes. But if they are imbalanced, significant conflict and tension between employees and organizations will inevitably occur. For companies, a major priority in designing organizations involves controlling workforce costs relative to revenue. Organizational designs that overemphasize cost efficiency can create terrible employee experiences.

There are five aspects of organizational design that impact employee experience:

1. Why People Join Organizations

Organizations employ people to achieve business outcomes. People join organizations to improve the quality of their lives. Organizations do this by providing people with roles, resources, and relationships. From a company perspective, designing organizations is about corporate structures; budgets, job designs, and policies. From an employee experience perspective, designing organizations is about building and joining communities that are meaningful and valuable to them. To improve employee experience, wherever possible, it is usually best when the employees responsible for doing the work are allowed to decide how the work should be done.

2. How Job Design Affects the Employee Experience

Job design from an employee experience perspective is less about defining exactly what people do and more about understanding the experiences they get from doing it. This includes thinking about the career opportunities it may provide beyond the current work. When designing jobs to maximize employee experience it is useful to look at them from the perspective of intrinsic and extrinsic motivation.

Questions to consider include:

- What is the purpose of the job?
- Who will they be working with?
- When and where do people in this job have to work?
- How does the job support employee development?
- How will pay be structured?
- What resources will employees be given?
- What additional benefits or perks are included?

- What career advancement opportunities are available?

Job design inevitably involves making compromises between what the company needs, values, or can afford and what employees want or prefer. It is not possible to create a job that everyone will like. A necessary part of job design is identifying what employee experiences matter the most and prioritizing those when designing the position, taking into account the company's business needs and financial constraints.

3. How the Design of Groups, Teams, and Departments Affects the Employee Experience

How an organization is designed in terms of teams, groups, and reporting structures affects employee experience in two ways. It changes what employees pay attention to as a result of leadership-reporting relationships, reward structures, and department membership. It also changes employee relationships by shaping how often people meet and communicate. Both things should be given considerable attention when designing the size, structure, and reporting relationships of an organization.

4. How Management and Leadership Structures Affect the Employee Experience

One of the most important aspects of organizational design is deciding how many teams, groups, or departments will be managed. This includes whether they will be led by a single person at the top of a hierarchical structure, overseen by a collective group of stakeholders, or be self-governed by group members themselves. Hierarchies tend to concentrate decision-making further up the leadership chain and move it away from the frontlines where employees are actually doing the work. This slows the speed of decision-making, frequently hurts the quality of decisions, and undermines employee feelings of empowerment.

5. Managing Restructurings and Downsizings with Experience in Mind

As the pace of change accelerates, organizational restructuring is becoming more common. Restructuring often includes downsizing parts of the workforce. Restructuring decisions and actions, particularly those that involve letting employees go, have a lasting impact on employee attitudes. Companies that downsize tend to perform more poorly in the future compared to those in the same industry that avoided workforce reductions. Given the risks, companies should not downsize unless it is absolutely necessary. Further, downsizing decisions should not be based solely on job titles, salaries, and demographics. They should also consider

Companies must work to ensure the experience employees have at work inspires everyone to do their best.

employee skills, experience, relationships, and capabilities. If it is necessary to reduce the size of the workforce, it is better to do one large reduction than several small ones.

Companies often fail to fully appreciate the impact organizational design has on employee experience or take advantage of the technology available to improve the design and restructuring of organizations. The most important thing is to simply recognize and accept that the way organizational design was done in the past is not how it should be done in the future.

Developing Capabilities and the Employee Experience of Learning

Human beings are amazingly good at change. Adapting to change involves learning. People are good at learning, but only under the right conditions. Those conditions are when they feel the effort to change will benefit their lives, feel supported by those around them, and believe they will be successful. The challenge organizations face is creating an employee experience that provides these conditions.

There are four elements of employee experiences that play a critical role in promoting learning and growth:

- 1. Context:** Designing jobs that encourage and enable development by giving employees the time, opportunity, and motivation to build new capabilities.
- 2. Capabilities:** Helping employees identify what knowledge, skills, and experiences to develop to achieve their goals and prepare for the next chapter in their careers.
- 3. Content:** Providing employees with access to the development resources they need to build new capabilities.
- 4. Culture:** Creating an organizational environment that supports employee development, with particular focus on the role managers play in supporting employee development efforts.

All four areas must be addressed to create an employee experience that encourages and supports ongoing learning and development.

Creating Engagement and Employee Experiences that Inspire Successful Performance

Employee performance is one of the biggest sources of variability in business operations. Employees are capable of amazing performance with the right motivation, engagement, and support. They can also be incredibly unproductive if they receive poor guidance, recognition, or coaching. Their productivity immediately goes to zero if they quit based on how they're being treated. And they can switch based on a single employee experience.

Fully engaging employees is one of the most difficult challenges faced by large and growing organizations. Companies must work to ensure the experience employees have at work inspires everyone to do their best.

Five topics relevant to creating engaging work environments that foster high levels of employee performance include:

1. The performance management dilemma.

Engaged employees feel a sense of commitment, focus, and energy toward supporting the goals of the company. Engagement is directly influenced by the formal and informal performance management methods used in a company to communicate job expectations to employees, support them in meeting those expectations, and recognize them for their contributions and achievements. At its core, performance requires balancing two types of activities: coaching individuals to better future performance and building teams based on current performance. These two activities conflict in the sense that past behavior does predict future behavior but it does not completely determine future behavior. Balancing the two is the *performance management dilemma*. Solving the performance management dilemma requires linking together three activities in an effective manner: Aligning job goals

and expectations, ongoing coaching and development, and making staffing and investment decisions.

2. Aligning performance expectations.

It is hard to make work engaging if employees do not know what they are supposed to do, why it matters, or whether they are doing it effectively. Clear goals give employees a sense of purpose, clarity, and strategic direction. The problem facing companies is how to provide employees with effective goals in a world of shifting priorities and changing business needs. It is even more challenging to do it in a way that employees feel like they are participating in a conversation and not simply being told what to do.

Organizational agility depends on the ability to rapidly realign employees on shifting business strategies. This is better done by establishing goals through ongoing dialogue where they can be discussed, clarified, and modified frequently. Role clarification and goal management technology help employees and managers to coordinate these conversations, update expectations, identify challenges, and track progress. These solutions also enable employees to see the goals of colleagues and leaders across the company, which promotes alignment and collaboration across the organization.

3. Increasing awareness of performance.

Performance feedback amplifies engagement by providing employees with encouragement, support, and insight to achieve their goals. When feedback is effectively delivered it is simultaneously a form of education and recognition. Knowing how to receive feedback is a critical skill for employees. How they respond will have a significant influence on their long-term career success. People should want feedback because it shows that people care about their work. The problem is that feedback is not always delivered in an effective or supportive manner.

The easiest way to receive feedback is to give employees goals that can be measured using well-defined metrics. The challenge is that many jobs cannot be linked to clear metrics such as sales quotas. In addition, performance is not just about what goals people achieve. *How* they achieve goals is also important. This is about how people interact with others, the things they do beyond formal job expectations, and the quality and efficiency of their work. This sort of qualitative feedback is best delivered through conversations with managers, coworkers, or customers. Experience measurement and self-management technology is making it easier to collect this kind of feedback.

4. Managing differences in performance.

All employees provide value to the business, but some generate more value than others. This statement may be true in any large organization but calling it out makes some people feel uncomfortable. It can trigger feelings of evaluations, favoritism, and exclusion and may seem antithetical to the concept of belongingness as a key cultural value. How companies deal with it has major consequences for employee experience and organizational adaptability. Failing to manage differences in performance creates bad experiences for employees.

There are three major aspects companies often overlook when managing differences in performance:

- It involves subjective judgment as much or more than objective measurement.
- It requires comparing employees but does not require ranking them.
- It is about knowing the capabilities of the workforce to guide future decisions.

Keeping these things in mind is key to creating positive employee experiences while dealing with the reality that not everyone performs at the same level.

5. Compensation and performance.

Money is not the only reason why people work, but it is a major reason why most people work. Most employees will worry at some point in their career if they should be getting paid more. The reason people become anxious about pay is not because they are being paid unfairly, but because they do not understand how their pay is determined. It is very easy to demotivate people through inequitable pay. Companies can avoid many of these negative motivational problems by monitoring pay equity and ensuring employees are not grossly under- or over-paid relative to their peers doing similar work.

Financial constraints limit pay levels, but small variations in pay strategies can significantly improve employee experience at little to no extra costs. Keep the following four things in mind to build compensation packages that positively impact employee engagement:

1. Pay is a tool to direct employee attention and motivation, including not quitting the organization.
2. Employees have a strong reaction when they learn they are paid more or less than their peers.

3. The motivational value of pay depends on employees understanding how pay decisions are made, being confident they can influence these decisions, and being comfortable discussing pay decisions they may not agree with.
4. It is rare for companies to lower pay levels, but in some situations, this is the best way to optimize employee experience, for example to avoid laying off an employee to move an employee into lower salaried jobs that better fit their career interests or life preferences.

Compensation is one of the largest operational costs in companies and significantly influences employee engagement and retention. If you want to gauge the effectiveness of your compensation methods, try asking employees the following questions:

- Do you understand how the company makes decisions that affect your compensation?
- Do past pay decisions adequately recognize the contributions you make to the company?
- Are you confident you can influence future pay decisions that will affect your life and career?

To fully engage employees it is critical to ensure they feel valued, appreciated, and recognized for their contributions. This requires creating a culture of transparency on how the company defines people's roles, evaluates their contributions, and makes decisions related to pay and staffing.

Where Do We Go from Here?

About 150 years ago, technology started to fundamentally transform the nature of work, which in turn transformed the nature of organizations and societies. We are in the midst of another such transformation. What is certain is that the nature of work will change over the coming years. What is yet to be determined is what work will look like for the majority of employees.

Technology is neither good nor bad. The future will depend on choices companies make about how to use technology to reshape employee experience and how societies choose to adapt to a much different world of work. Technology has the potential to create a future in which people no longer worry about having to “work for a living” and instead focus on living a fulfilling, purposeful life that includes work. What matters is how we choose to use it. Let us choose wisely.



Dr. Steven Hunt is Vice President of Customer Research at SuccessFactors/SAP Cloud. A recognized expert on strategic human resources (HR), Dr. Hunt has had a pivotal role in developing systems that have improved productivity and engagement of millions of employees working for hundreds of companies around the globe. A well-known speaker, author and thought leader on strategic human resources, Dr. Hunt has written over 100 articles, published two books, and supported strategic HR efforts working with companies across five continents.

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· Book 29 of 46 ·

The 7 Hidden Reasons Employees Leave

Leigh Branham

SOUNDVIEW Executive Book Summaries®

FILE: PERSONNEL/
HUMAN RELATIONS

By Leigh Branham

How to Recognize the Subtle Signs and Act Before It's Too Late

THE 7 HIDDEN REASONS EMPLOYEES LEAVE

CONTENTS

The Process of Disengagement
Pages 2, 3

Reason #1: The Job or Workplace Was Not as Expected
Page 3

Reason #2: The Mismatch Between Job and Person
Page 4

Reason #3: Too Little Coaching and Feedback
Page 5

Reason #4: Too Few Growth and Advancement Opportunities
Pages 5, 6

Reason #5: Feeling Devalued And Unrecognized
Pages 6, 7

Reason #6: Stress From Overwork and Work-Life Imbalance
Pages 7, 8

Reason #7: Loss of Trust and Confidence in Senior Leaders
Page 8

THE SUMMARY IN BRIEF

In The 7 Hidden Reasons Employees Leave, employee-retention expert Leigh Branham knocks down the wall that separates employee from employer — and even management from senior leadership — in an effort to forge an open discussion on employee disengagement and what organizations need to recognize and actively pursue in order to retain their best and brightest people. Using a voluminous amount of interview and survey data, Branham isolates each reason, tells companies what to look for, and translates the needs and desires of employers and employees into a common language, enabling companies and their most valued human resources to better understand one another.

What You'll Learn In This Summary

- ✓ How companies and employees can better communicate their expectations of one another.
- ✓ The importance of finding the right people to fill the right positions at the right time.
- ✓ Why coaching and feedback are critical to engagement and retention, and how companies can form deeper relationships with their people.
- ✓ What the new career realities are in today's business climate.
- ✓ Why some managers are hesitant to recognize employees, and what senior leadership can do about it.
- ✓ How to help employees maintain a consistent work-life balance and minimize their levels of job-related stress.
- ✓ How managers can regain the trust and confidence of their employees.

THE 7 HIDDEN REASONS EMPLOYEES LEAVE

by Leigh Branham

— THE COMPLETE SUMMARY

The Process of Disengagement

Employee turnover is not an event — it is a process of disengagement that can take days, weeks, months or even years until the actual decision to leave occurs.

There are several sequential and predictable steps that can unfold in the employee's journey from disengagement to departure. These are:

- Start the new job with enthusiasm.
- Question the decision to accept the job.
- Think seriously about quitting.
- Try to change things.
- Resolve to quit.
- Consider the cost of quitting.
- Passively seek another job.
- Prepare to actively seek.
- Actively seek.
- Get new job offer.
- Quit to accept new job, quit without a job, or stay and disengage.

Many managers are so busy or preoccupied that they wouldn't notice where their employees were in the continuum if they wore signs around their necks that proclaimed "Trying to Change Things!" or "Becoming Less Engaged Every Day!" Managers need to better understand the signs of discontent before they lose their best and brightest people.

The Deliberation Process

There are two distinct periods in an employee's thought process when he or she considers leaving a company. The first period is the time between his or her first thoughts of quitting and the subsequent decision to leave, when disappointment and even bitterness can set in due to an array of possible circumstances.

The second period of the deliberation process is the time between the employee's decision to leave and the actual leaving. The chances of a manager gaining renewed commitment from an employee in this period are not very good. This is why managers must keep their antennae up and be alert to the signs that an employee is just starting to disengage when there is still time to do something about it.

Why They Leave

Employees begin to disengage and think about leaving when one or more of four fundamental human needs are not being met. These needs are:

- **The need for trust.** Expecting the company and management to deliver on its promises, to be honest and open in all communication with you, to invest in you, to treat you fairly and to compensate you in a fair and timely manner.
- **The need to have hope.** Believing you will be able to grow, develop your skills and have the opportunity for advancement or career progress.
- **The need to feel a sense of worth.** Feeling confident that if you work hard, do your best, demonstrate commitment and make meaningful contributions, you will be recognized and rewarded accordingly.
- **The need to feel competent.** Expecting you will be matched to a job that aligns with your talents and your desire for a challenge.

Hidden Reasons and Practical Actions

People complain of poor management when what they want is good management. They complain of favoritism when what they prefer is an even playing field. Along the same line, in describing the seven main reasons employees leave, one comes ever closer to pinpointing what it will take to make employees want to stay with an organization and be more fully engaged. Those seven reasons are:

(continued on page 3)

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The Process of Disengagement

(continued from page 2)

- The job or workplace was not as expected.
- The mismatch between job and person.
- Too little coaching and feedback.
- Too few growth and advancement opportunities.
- Feeling devalued and unrecognized.
- Stress from overwork and work-life imbalance.
- Loss of trust and confidence in senior leaders. ■

Reason #1: The Job or Workplace Was Not as Expected

Every day, new hires enter organizations with a wide range of illusions and unrealistic expectations. Some stay and adapt, some disengage and stay, and many disengage and leave. At the root of their disenchantment is an expectation that was not met. In some cases, the employee's expectations may have been unrealistic, and in some cases, they were not. When all is said and done, it doesn't matter. Quite simply, unmet and unrealistic expectations both cost a business untold millions of dollars. You may never see an exit survey with a checklist of reasons for leaving that includes the choice "unmet expectations," but it may well be the number one reason employees leave.

The Psychological Contract

Noted leadership expert and educator John Paul Kotter explained misaligned expectations in terms of a "psychological contract." He defined this as "an implicit contract between an individual and the organization which specifies what each expects to give and receive from each other in a relationship." Matches and mismatches can occur based on the four sets of expectations in this "hidden" contract.

When an employee realizes that the employer cannot meet a key expectation in the contract, there is often a feeling of having been betrayed, as if a real contract has been broken in bad faith. This can become the "shock" or turning point that begins the downward cycle toward disengagement and departure.

The more clearly an employee understands his or her own expectations, the higher the probability of a match in expectations. Many new employees fresh out of college, however, are only dimly aware of their needs and desires. That problem is compounded when the organization is also not clear about what it expects, which is often the case.

The psychological contract changes over time as the expectations of the employee and the organization change. With each change in expectations, open communication serves to keep both parties in alignment, or may lead to a mutual agreement to renegotiate or break the contract.

Matching Mutual Expectations

The following practices have been found to significantly raise the probability of new hire success, satisfaction and longer-term retention:

- *Conduct realistic job previews with every job candidate.* With every potential hire, initiate a frank and open discussion of job activities, performance expectations, immediate work team, working conditions, rules, policies, work culture, management style, the organization's financial stability or other topics where surprises need to be minimized. If you lose candidates by divulging the truth about the job or workplace, you probably would have lost them anyway shortly after hiring them.

- *Hire from a pool of temp-to-hire, adjunct staff, interns and part-time workers.* When workers come aboard on a contingency basis, they have a chance to experience the ups and downs of the job firsthand before they and the organization have made the commitment to a full-time relationship.

- *Hire from current employee referrals.* Current employees tend to realistically describe the job and workplace to those they are referring. They have a vested interest in maintaining the friendship, and they are generally motivated to minimize surprises.

Create Realistic Job Descriptions

- *Create a realistic job description with a short list of critical competencies.* When a company's list of "ideal candidate" competencies is too long, it unwittingly narrows its pool of candidates. The company also lays the groundwork for another problem later on — that the new hire will not be able to meet its performance expectations.

- *Allow team members to interview candidates.* When those who would work with the new hire as teammates are allowed to take part in the interviewing process, the interview often more accurately reflects the needs and competencies of both parties. It also creates greater "buy-in" from team members while sending them the message that their opinions count.

Hire From Within

- *Hire from your pool of current employees.* When you hire from within, you take less risk of turnover, because the inside candidate is already well versed in the ways and expectations of the organization.

- *Create a way for candidates to "sample" on-the-job experience.* Many companies have begun using CD-ROMs that simultaneously test the applicant's aptitude for the position while also providing a glimpse of on-the-job realities.

- *Survey or interview new hires to find out how to minimize new hire surprises in the future.* Based on the feedback received from these, you can minimize misunderstandings and head off any potential disillusionment. ■

Allstate's Written 'Psychological Contract'

Some employers, such as Allstate Insurance Co., have created formal statements outlining what employee and employer can expect from each other. They believe employee loyalty improves when the company and employees clearly know what is expected. Among the expectations are:

From Allstate to the employee:

- ✓ Offer work that is meaningful and challenging.
- ✓ Promote an environment that encourages open and constructive dialogue.
- ✓ Advise the employee of performance through regular feedback.
- ✓ Create learning opportunities through education and job assignments.

From the employee to Allstate:

- ✓ Perform at levels that significantly increase the company's ability to outperform the competition.
- ✓ Take on assignments critical to meeting business objectives.
- ✓ Willingly listen to and act upon feedback.
- ✓ Take personal responsibility for each transaction with customers and for fostering their trust.

Reason #2: The Mismatch Between Job and Person

Research over the last 25 years has shown that 80 percent of workers feel they are not using their strengths on a daily basis. When you consider it closely, though, it's almost surprising that 20 percent of the working population does get to use their strengths daily. The key missing ingredient in so many companies is management's lack of passion for getting the right people in the right jobs. Why is this so?

While many obstacles come to mind, the greatest of them all is a basic lack of understanding about the nature of human talent. Some managers believe employees are interchangeable parts to be moved into whatever slots most need to be filled. Others believe skills and knowledge are more important than talent. Those two misconceptions often lead to short-term solutions that ignore the long-term success that can result from focusing on properly matching employee talent with appropriate jobs.

Best-Fit Selection Practices

Companies with strong reputations for selecting the right talent and keeping employees well matched with their jobs seem to have certain best practices in common. Here are five of them:

- **Make a strong commitment to the continuous**

upgrading of talent. The best employers have a serious, resolute mind-set about talent that begins with a fundamental belief that the organization's future depends on getting and keeping the right people in the right jobs, and they leave little to chance when it comes to recruiting and interviewing.

- **Follow a consistent and thorough talent forecasting and success-factor analysis process.** Before recruiting, your organization should engage in a talent forecasting process based on key business objectives that drive talent needs. Focus your attention on pivotal jobs that create the most value for the organization. Understand what makes top performers successful in those positions by assessing your best and brightest employees. Then, supplement your interviewing process by using the same assessments to screen job candidates.

- **Cast a wide recruiting net to expand the universe of best-fit candidates.** The larger the selection, the greater the chance you'll get a good fit. Avoid imposing too many restrictions in terms of job requirements. You can also expand the pool of candidates by changing the job itself or by creatively considering new sources of talent you've never before tapped.

- **Follow a purposeful and rigorous interview process.** Train all hiring managers in behavioral interviewing, in which candidates answer questions with stories of how they handled a given situation in the past. You can also use multiple interviewers to get a well-rounded view of a candidate. Always check several of the candidates' references, without fail: It's time well spent.

- **Track measures of hiring success.** Track the quality of hires, not just cost-per-hire, by quantifying the qualitative aspects of each candidate.

Job Task Assignment

Here are some practical tools and ideas that managers can use to assign tasks so that workers can be more engaged through the use of their motivated abilities:

- **Conduct "entrance interviews" with all new hires.** Meet with new hires during their first week on the job with the specific purpose of uncovering their greatest strengths and talents.

- **Work to enrich the jobs of all employees.** Some jobs are more easily enriched than others, but it can be surprisingly easy to make a significant impact with employees and increase retention.

- **Delegate tasks to challenge employees and enrich their jobs.** Employees might not have the patience to "pay their dues," but you can enrich their jobs and provide for them a more meaningful role in the future by delegating tasks you might not have considered before. ■

For additional information on getting compliance vs. getting commitment, go to: <http://my.summary.com>

Reason #3: Too Little Coaching and Feedback

Performance coaching and feedback are essential for employees because they help employees answer four basic questions:

1. Where are we going as a company?
2. How are we going to get there?
3. How do you expect me to contribute?
4. How am I doing?

The answers to these questions constitute much of what gives meaning to an employee's efforts. Companies need to give feedback and coaching to make sure that employees' efforts stay aligned with organizational goals and the expectations of direct supervisors. This alignment is a necessary precondition for employee engagement.

How to Coach and Give Feedback

The dynamics of manager-employee relationships are complex, but in the best-case scenarios, with a good faith effort and the right approach to coaching, employees can be re-engaged. Consider implementing these practices:

- *Provide intensive feedback and coaching to new hires.* Plan how you want employees to spend their first week on the job and spend time with them during that initial period. Discuss your performance expectations in detail, and ask the employee to draft a performance agreement that summarizes his or her objectives. Make it clear that giving feedback is your responsibility and getting feedback is his or her responsibility. You must both be proactive in your roles.
- *Create a culture of continuous feedback and coaching.* Conduct informal, on-the-job feedback conversations with your employees in addition to formal performance reviews.
- *Train managers in performance coaching.* Make sure your managers understand the five-step process for successful coaching. (See sidebar on right.)
- *Make the performance management practice less controlling and more of a partnership.* Most experts on performance management systems report that companies achieve greatest overall satisfaction and effectiveness with feedback systems in which managers and subordinates partner in handling performance issues, rather than having managers simply perform annual HR exercises with vague objectives that tie performance rank to pay scale.
- *Terminate nonperformers when best efforts to coach or reassign don't pay off.* Despite your best efforts to coach nonperformers or change the nature of their job assignments, sometimes it is simply best to let the employee go. All too often, other valued employees know when that time has come long before the manager does, and failure for management to act can adversely impact the commitment of those valuable performers.
- *Hold managers accountable for coaching and giving*

Five Steps for Successful Coaching

There are five essential steps in the process of being a successful coach:

- Step 1:** Get the employee's agreement that a problem exists.
- Step 2:** Mutually discuss alternative solutions.
- Step 3:** Mutually agree on action to be taken to solve the problem.
- Step 4:** Follow up to measure results.
- Step 5:** Reinforce any achievement when it occurs.

This process is focused on producing positive behavior going forward, not for assigning blame or motives for past behavior.

ing feedback. Introduce "upward evaluation" systems — allowing employees to give feedback for managers — and incorporate coaching and feedback competencies into the list of key competencies you require of all leaders. The only way to ensure coaching practices and mechanisms are working is to hold your managers accountable for making them work. ■

For additional information on emotionally intelligent leadership, go to: <http://my.summary.com>

Reason #4: Too Few Growth and Advancement Opportunities

So much has changed in the worldwide business climate and in the way businesses now operate that the impact of those changes on the careers of individuals working in organizations needs to be acknowledged. Downsizing has changed the loyalty contract between employee and employer, and it has also heightened the level of stress over job security. Focusing on short-term, bottom-line results has created pressure on management to reduce costs and push workers to do more with less. Productivity gains have come at a cost — in reduced job satisfaction, stalled job creation and stagnant careers.

A new career contract has not materialized in most organizations, particularly ones that value control over autonomy and self-direction. Most employers of choice, however, communicate clearly that employees must take the initiative in their own career development. They also give their people the tools and training needed to accomplish this, enabling them to be the best they possibly can be.

How to Grow Employees

Here are the kinds of practices that serve to maintain a balanced approach to providing employees with the growth and development opportunities they need to stay, and stay engaged:

(continued on page 6)

Reason #4: Too Few Growth and Advancement Opportunities

(continued from page 5)

- *Provide self-assessment tools and career self-management training for all employees.* Many talented performers may not understand, cannot articulate and often underuse their greatest strengths. Organizations should provide workshops, software or other tools to aid employees in increasing their self-awareness and enhance their goal-setting efforts.
- *Offer career coaching tools and training for all managers.* Provide company-sponsored training and tools to help managers to be better equipped to fulfill their responsibilities as coaches. Some organizations even request managers to use the same self-assessment tools available to employees, enabling them to benefit from them as well.
- *Provide readily accessible information on career paths and competency requirements.* Give employees access to job descriptions, listings of competencies, and educational requirements they will need to qualify for other positions within the company.
- *Create alternatives to traditional career ladders.* Do not penalize top performers by forcing them to pursue management positions as their only route to higher pay. Create higher-level technical positions with increasing responsibility and commensurate pay.
- *Keep employees informed about the company's strategy, direction and talent need forecasts.* Your best people need to be kept informed about the company's evolving marketing and growth strategies, and the career opportunities that will accompany them.
- *Build and maintain a fair and efficient internal job-posting process.* Do not rely on job-posting systems to let people know about new positions. Get the word out through career workshops and other, less formal ways.

Hire From Within Whenever Possible

- *Show a clear preference for hiring from within.* Consistently pursue internal hiring as the first option, going outside the company only when no internal candidate is available.
- *Eliminate HR policies and management practices that block internal movement.* Include wording in competency descriptions, performance reviews and the like that indicates that managers do not own the organization's talent — the organization owns it. This will keep managers from "hoarding" your best performers and blocking them from upward (or even lateral) movement.
- *Create a strong mentoring culture.* Formal mentoring programs help increase opportunities for everyone, develop future leaders and enhance employee retention at all levels. Make mentoring one of the competencies for which your managers are evaluated, then train them

AT&T Re-Engages 'Plateaued' Employees

There will always be employees who reach a plateau and start looking for new challenges. AT&T re-engages and retains "plateaued" employees with a program called Resource Link, which functions as an in-house temporary service. Through this program, employees with diverse management, technical or professional skills "sell" their skills to different departments for short-term assignments.

to be the best possible mentors for your employees.

- *Keep the career development and performance appraisal processes separate.* Many companies have directed managers to have discussions with employees about career opportunities at the six-month interval between annual performance reviews, separate from discussions of performance. This enables all involved to focus on career development, as opposed to job appraisal.

Review All Talent Effectively

- *Build an effective talent review and succession management process.* Organizations must address the difficulties in preparing leaders and talented professionals for organizational opportunities that might not yet exist. This includes the "B" players who form the backbone of your organization but are not necessarily on the leadership career track.
- *Maintain a strong commitment to employee training.* Don't fear the possibility of training employees that then leave your company. Train your employees so they can leave, or else they'll leave. What if you don't train them and they stay? ■

Reason #5: Feeling Devalued And Unrecognized

Everyone wants to feel important, yet many organizations manage to make their people feel quite the opposite. It could be seen as a lack of simple appreciation, or a greater focus put on making numbers, and not valuing employees. Some employees might feel like a mere number — that no one in any kind of position above them listens to them or even knows they exist, much less work there. Managers who do show some appreciation might not show it in a timely manner, or the rewards given might have little if anything to do with what the employees truly find valuable.

Reluctant Management

Managers might be reluctant to recognize employees for a number of reasons. Many of them might simply

(continued on page 7)

Reason #5: Feeling Devalued And Unrecognized

(continued from page 6)

not know how — they came up in the company with superiors who took a laissez faire attitude toward recognition (“If you don’t hear from me, you’re doing a good job”). Others might simply fail to pay enough attention to the performance of their people to know when something worth recognizing has been done.

Others have crises of confidence — they don’t know enough about an employee’s job to know the difference between average and superior performance. They might believe they will be perceived as insincere or phony if they praise people. Or, they are simply afraid to recognize some and forget others. None of these are excusable, but it does help to understand the thought and/or emotional process behind the recognition decisions managers make.

Pay Practices for Engagement and Retention

Here are some of the best pay practices that many pre-eminent employers have begun to embrace to better engage and retain their talent:

- *Offer competitive base pay linked to value creation.* The need to provide increased value to customers has led many companies to link base pay more to value creation and less to rank or years of service. This results in some companies paying lower-ranked employees more than their managers, if they are crucial to providing value.
- *Reward results with variable pay aligned with business goals.* Because of an increased focus on productivity, many companies are turning to new pay practices that require employees to put more of their pay at risk in exchange for greater rewards if the company achieves business objectives. While some employees balk, the more motivated among them tend to find the risk well worth it.
- *Reward employees at a high enough level to motivate higher performance.* Variable pay awards to employees should be higher when the bottom-line impact of their results is significant, when that result is difficult to achieve, when it takes longer to achieve, and when base pay is more at risk.

Use Cash Rewards for Immediate Recognition

- *Use cash payouts for on-the-spot recognition.* Reserve 1 to 2 percent of your base pay budget for cash payouts or lump-sum payments to recognize top performers in the current time frame. These rewards have terrific motivational power, particularly when given as quickly as possible following an achievement.
- *Involve employees and encourage two-way communication when designing new pay systems.* Let employees in on the process behind your pay system — surveys indicate that those who understand how their pay is

determined are more likely to be satisfied in their work.

- *Monitor the pay system to ensure fairness, efficiency, consistency and accuracy.* Survey your people on the fairness and consistency of your pay system. Also, get managers to ask employees what recognition programs they would consider to be good incentives.

Remember to Say ‘Thanks’

- *Create a culture of informal recognition founded on sincere appreciation.* Say “thanks” to your people for their efforts and find different ways to recognize them (a free lunch, a half day off, a gift, etc.).
- *Make new hires feel welcome and important.* Let new people see how your products are made, marketed and sold. Let them talk directly with customers to see the impact the product has on those who use it. Let them sit in on sales calls. Provide them with testimonials and articles about your organization.
- *Ask for employee input, then listen and respond.* Employees are hungry to be heard. You cannot afford not to seek, listen to and implement their ideas. Conduct regular meetings and surveys to enable them to share their input. Act on good suggestions, and give credit where it is due.
- *Keep employees in the loop.* Share information as soon as you can to avoid rumor-mongering in the ranks. Share it face to face when possible.

Tools Are Investments

- *Give employees the right tools and resources.* An organization might look to save money on software, hardware, furniture and equipment, but thinking of these things as only costs is shortsighted. The right tools at the right time are investments — not only in productivity, but in sending a message to employees that they are worth it.
- *Keep the physical environment fit to work in.* Time and again, departing employees complain of cramped, noisy, hot, cold, messy, dirty, obnoxious or unsafe working conditions. Ask yourself, “How would I like to work where my employees work?” If you can’t answer in positive terms, it’s high time to change things. ■

Reason #6: Stress From Overwork and Work-Life Imbalance

It is sobering to consider all the things there are to be stressed about in the workplace — overwork, personality conflicts, forced overtime, disorganized supervisors, gossip, harassment, prejudice and so many others. Workers get stressed when they must sacrifice family time to work extra hours, when they must deal with the insensitivity of some co-workers, and when they really need a personal day but

(continued on page 8)

Reason #6: Stress From Overwork and Work-Life Imbalance

(continued from page 7)

cannot take one because their company does not offer them. These are the people who consistently work late, work through lunch, work through sickness, take work home and express frustration in myriad unhealthy ways.

Company leaders must determine whether their organization's culture is unhealthy, or even toxic. When you force workers into choosing between having a life and a career, your organization has a toxic culture. Workers are not merely resources: They are people. You should be empowering them, not attempting to control them. Address these things, this culture, or your employees will — by leaving.

Engagement Practices to Avoid Imbalance

Employers of choice enable employees to maintain a life balance by doing the following:

- *Initiate a culture of “giving before getting.”* Make the first move in maintaining employee loyalty. If you demonstrate an initial willingness to trust your employees by giving valued services, they are likely to reciprocate in kind.
- *Tailor the “culture of giving” to the needs of key talent.* Match your benefits and work-life services to the needs of your people in the form of nontraditional work schedules, extra holidays or even simply comfortable office space. Treat them in such a way that they never want to leave.
- *Build a culture that values spontaneous acts of caring.* Relieve employee stress and generate more loyalty by sending your people cards or gift certificates, creating weekly “rituals” (“Pizza Thursday,” for example) or simply providing a sympathetic ear when they need one.
- *Build social connectedness and harmony among employees.* Part of the glue that binds people to workplaces comes from the relationships they form with other employees. Actively encourage these relationships by assigning team projects, creating cross-functional teams, organizing group outings and allowing employees reasonable time for personal “hallway” or “water cooler” conversations.
- *Encourage fun in the workplace.* Not everyone has the same idea about what does and does not constitute fun, but most would recognize that fun activities (planned or unplanned) can be highly effective stress-busters. You want to keep employees from burning out, particularly in high-stress positions. ■

Reason #7: Loss of Trust and Confidence in Senior Leaders

Senior leaders are challenged with creating a culture of trust and integrity that strengthens the bonds of employee engagement. While this challenge is shared by all managers and employees, it is incumbent on

Sweets and Sweet Vacations

CDW Computer Centers give employees free Krispy Kreme doughnuts once a month and free Dairy Queen ice cream every Wednesday in the summer. If the company meets sales goals, CDW offers an “old-timer” benefit to anyone with three years of service — a free trip for the employee and his or her family anywhere in the continental United States.

senior leaders to set the tone and the example.

This isn't always easy, particularly when employees already have a number of issues with their managers and leaders. They complain about a basic lack of trust and integrity in leadership. They might feel management is out of touch with day-to-day reality. Or, they might feel that leaders are concerned only with their own greed, and not with the needs and concerns of workers.

You can see these issues manifest themselves in the effort and conduct exhibited by the work force, in a lack of enthusiasm in the workplace, and in the increasing complaints and questions about policies and practices. You can see it in managers who begin to question the decisions and actions of senior leaders, or even in active resistance to leader initiatives and change efforts.

Practices That Inspire Trust and Confidence

Here are three things leadership can do to combat these impressions, to offset and reverse a loss of trust in senior leaders:

- *Inspire confidence in a clear vision, a workable plan and the competence to achieve it.* One of the first requirements of trust is competence — people will only follow leaders they deem to be capable. Employees want to know that the organization will be successful, and that they can be assured of their place in it, going forward. You must be able to inspire that confidence, and make decisions and directives that reinforce that confidence.
- *Back up words with actions.* Do what you say you are going to do — there is no easier way to cut off employee cynicism and disengagement. For example, don't expound on how “people are our most important asset” shortly before you slash the training budget. Don't talk incessantly about quality, then push your people to do their work in less time than it takes to do it right. That is the stuff of Dilbert cartoons; it's not the way great companies inspire and retain employees.
- *Place your trust and confidence in your work force.* Take the opportunity to engage and inspire your people by enacting policies that show you trust them. If you have an authoritarian, micromanaging style, get rid of it. When you give that kind of power away, you increase the collective power of the organization to innovate and meet new challenges, thus enhancing your own power in the long run. ■

· Book 30 of 46 ·

The Canary Code

Ludmila N. Praslova

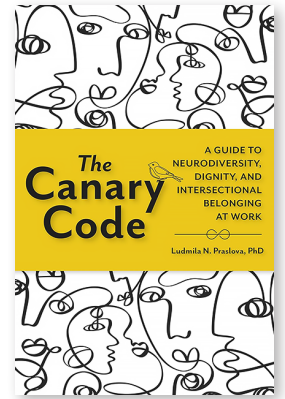


Executive Book Summaries®

The Canary Code

A Guide to Neurodiversity, Dignity, and Intersectional Belonging at Work

by **Ludmila N. Praslova**



Contents

Neurodiversity Primer

Page 2

Holistic Inclusion

Page 3

The Hiring Process

Page 4

Starting Off Right

Page 5

Work Environment

Page 6

Psychological Work Environment

Page 7

Leading for Inclusion: The Why

Page 8

Leadership Practices

Page 9

THE SUMMARY IN BRIEF

Many workplaces still rely on rigid processes that marginalize people who think, communicate, or work differently, while ignoring early warning signs of bullying, broken workflows, and ethical drift. The result is disengagement, exclusion, and a steady drain on human potential.

The Canary Code: A Guide to Neurodiversity, Dignity, and Intersectional Belonging at Work offers a practical framework for reversing this trend. Using the “canary in the coal mine” metaphor, the book shows how designing for those most impacted by dysfunctional systems ultimately improves work for everyone. It provides actionable guidance across hiring, onboarding, accommodations, performance management, culture, and leadership, helping organizations build fair, flexible, outcomes-focused environments where diverse minds can thrive.

Drawing on more than 25 years of research, consulting, and lived experience, Ludmila N. Praslova examines how organizations can build workplaces that support neurodiversity and intersectional belonging. A neurodivergent organizational psychologist and professor, Praslova combines research and case studies to show how intersectional neuroinclusion—spanning cognitive, emotional, social, and physical differences—can help organizations create healthier cultures, better support diverse talent, and develop more inclusive leadership practices.

IN THIS EXECUTIVE BOOK SUMMARY

- Discover practical ways to identify and remove hiring and performance barriers for neurodivergent talent
- Understand how inclusion improves innovation, retention, and organizational health
- Apply outcome-focused, flexible talent practices across the entire employee lifecycle
- Build leadership that support intersectional belonging, not just surface diversity

INTRODUCTION

The Unincludable Talent

Exclusion robs people of opportunities, and it robs organizations of talent. In the long run, exclusionary systems are lose-lose.

The Canary Code is a guide to building win-win organizational systems. It outlines specific steps for embedding inclusion across the entire talent cycle and creating fair, outcome-focused cultures in which everyone can participate and belong. The title stems from the metaphor of people particularly impacted by dysfunctional organizational environments and injustices as canaries in the coal mine.

Just like fresh air benefits all, work environments that welcome human cognitive and emotional differences, including the acute sensitivity to the world associated with many forms of neurodivergence, benefit all. Creating organizations where canaries can thrive, create, and innovate also means creating healthier, stronger organizations.

Modern employment practices keep 30–85% of neurominorities unemployed or underemployed, “digging ditches” rather than using their best strengths. And this is not for lack of business case evidence. There are findings from the autism hiring program at JP Morgan that autistic employees can be up to 140% more productive than the average employee.

Talent systems in most workplaces appear to be broken. There are access barriers that eliminate many talented people from hiring considerations. And those who are hired face success barriers because of poor work organization, understaffing, and various forms of bias.

Many talent systems seem to be working against talent: high performers are bullied and driven away, often faced with ever-increasing and unsustainable workloads until they break and burn out, and are required to work in inefficient ways because of institutional inertia.

Systemic problems like these require systemic solutions.

Inclusion by Design

The typical set of assumptions on “how to do inclusion” is limiting, and so are the systems based on these assumptions. As long as inclusion is thought of as something slowly doled out by the “born included” based on a limited set of characteristics they choose to include, some people will remain unincludable. Half-measures do not work. True inclusion is systemic inclusion. The *entire* organizational system must become inclusive—by design.

Optimizing the environment for neurodivergent people by providing flexible schedules, quieter workplaces, lower stress, clear communication, and training designed for a broader range of learning needs will create an environment where everyone can thrive.

The air quality that keeps canaries healthy will keep everyone healthy. And that is the essence of the Canary Code.

CHAPTER 1

Neurodiversity Primer

Although some degree of neurodiversity is generally found in most organizations, people of some neurotypes experience more barriers to workplace access and success.

The movement for neuroinclusion in the workplace can be seen as a specific form of the neurodiversity movement and neurominority justice.

Ensuring fair opportunities for those who have been excluded from and disadvantaged in traditional work environments can be accomplished by creating more flexible organizational systems that include and support a wider range of talent and productivity styles.

Workplace improvements associated with neuroinclusion benefit individuals of many different neurotypes, including those who are neurotypical.

A more accurate measurement of skills and work outcomes, along with increased flexibility and transparency, not only creates truly neurodiverse workplaces but also improves the overall work environment and strengthens organizations.

Flaw or Flow?

Deficit labeling is so powerful that people and organizations would pay to obtain certain neurodivergent advantages for themselves while simultaneously trying to cure neurodivergent people of the same characteristics.

For example, there are leadership programs that help leaders be more honest. But would the same organizations that wish to increase honesty hire autistic people and promote them to leadership positions?

Considering autistic unemployment rates and the thorny paths of autistic leaders, this does not seem to be the case.

If we want to live in a more just world and if we want more trust, less corruption, and higher productivity, we must over-

Exclusion robs people of opportunities, and it robs organizations of talent.

”

ride fear of difference and challenge negative assumptions. And that is the point of the neurodiversity movement.

CHAPTER 2

Holistic Inclusion

We are whole people. Our work experience, too, involves the whole person—and whole people require a holistic approach to inclusion. We can't experience belonging at work when our bodies do not feel safe. We need holistic belonging to flourish fully.

This means a deep respect for differences in how our thinking, emotions, bodies, and relationships work best. In practice, holistic inclusion operates across several interconnected dimensions such as social, cognitive, emotional, physical, and sensory.

Social (Neuro)Inclusion

The social inclusion of neurodivergent people in the workplace requires rethinking traditional neuronormative expectations of workplace socialization. Inclusion efforts must aim to create environments where people wired to need different levels and forms of social interaction feel accepted and valued.

Cognitive (Neuro)Inclusion

Cognitive diversity enhances team performance and helps build more innovative, productive, and successful organizations. But fully realizing these rewards takes some work. To unlock productivity that comes from the diversity of thinking, working, and decision-making styles, organizations must change some prevalent practices to ensure cognitive (neuro) inclusion.

Emotional (Neuro)Inclusion

Neurodiversity inclusion requires emotional inclusion. Human well-being, in general, requires emotional inclusion. Yet, few organizations practice emotional inclusion by normalizing authentic emotional expression at work.

Physical and Sensory (Neuro)Inclusion, Accessibility, and Sensory Safety

In the most general sense, physical inclusion means removing barriers to work for people whose bodies function differently

from the typical. These barriers can be associated with employees' physical injuries and conditions. They might also be associated with psychological differences, as well as with brain-body relationships (epilepsy, tremors, dyspraxia, or effects of brain injuries).

Workplaces that support physical aspects of neuroinclusion are accessible, safe, and supportive of diverse sensory needs.

CHAPTER 3

The Canary Code

Like canaries in the coal mine, neurodivergent people are the first to feel the mistreatment and effects of poorly designed systems, whether at school or work.

A systemic approach to improvement is essential because fixing just one negative workplace factor—be it the inaccessible, stress-inducing design of physical work environments or a lack of flexibility—will not be enough. But fixing all these factors will make a difference not just for neurodivergent people but for many others.

The Canary Code model is focused on six key principles for organizational practice that can help remove barriers to neuroinclusion, improve the well-being of all employees, and support organizational outcomes:

1. Participation

Meaningfully involving employees, specifically marginalized employees, in decisions that influence their work distinguishes the Canary Code approach from traditional interventions that “benevolent includers” design on behalf of those “to be included.” The participation principle addresses the important and often overlooked drawbacks of design methods that call for empathy toward the marginalized but not participation of the marginalized.

2. Focus on outcomes

Focusing work on outcomes gives all of the employees a much-desired sense of autonomy and empowerment and supports inclusion, higher performance, and morale. Focus on outcomes deals with supporting people in contributing to collective results in ways that maximize their strengths and evaluating outcomes without bias.

3. Flexibility

Rigid requirements based on time, place, and style of work rather than outcomes can exclude neurodivergent and marginalized talent. Conversely, expanding flexibility even more, including aligning jobs with people's unique strengths, can make seemingly impossible levels of employee thriving and organizational performance possible.

4. Focus on organizational justice

Justice in hiring, pay, benefits, promotion, and the entire talent cycle is a foundation of strong cultures that retain talent. Fair treatment and equitable processes build confidence in organizational leadership. Across cultural contexts, organizational justice increases collaboration and productivity.

5. Transparency and clear communication

The lack of clear communication in modern workplaces often excludes neurodivergent people. Transparency, in contrast, supports psychological safety, trust, and organizational performance. In addition, it can help restore trust eroded by previous injustices and nurture a sense of belonging.

6. Valid tools for decision-making

Selection and promotion practices based on a subjectively defined "fit" often exclude neurodivergent and marginalized talent and limit organizational talent pools. Valid decision-making instruments are based on a thorough job analysis and require ensuring that the job analysis process itself is inclusive.

CHAPTER 4

The Hiring Process

Hiring is a form of matchmaking. We even use the language of "applicant attraction" and "making yourself an attractive candidate." But matchmaking only works if both parties are honest and know what is actually important to them, and in hiring, that rarely seems to be the case.

There are many signs that something is seriously wrong with organizational matchmaking. Instead of true matches, organizations end up with false positives (hires who don't live up to expectations) and false negatives (rejecting talented people who would have been outstanding). Both errors have financial, morale, and ethical costs. A wrong hire costs *at least* 30% of the hire's annual salary in the form of lost productivity, potential need to rehire, and other expenses.

The Canary Code principles of transparency, focus on outcomes, and valid measurement are crucial in creating hiring systems that work for both employees and employers.

Applicant Attraction

Exclusion starts long before the selection process—it begins with job descriptions and position announcements. Making the content of job descriptions inclusive is crucially important for attracting and hiring neurodivergent job seekers.

Unfortunately, job descriptions are often based on generic templates and may include skills or personal characteristics of little or no relevance to specific positions.

To improve job descriptions and overall job design, organizations should follow established best practices:

1. Conduct a thorough job analysis to ensure that the job description accurately reflects the position's actual requirements involved.
2. Clearly separate required qualifications essential for performing the job from desirable qualifications such as specific experiences.
3. Evaluate job descriptions for unnecessary, generic, and cut-and-paste requirements.
4. Avoid references to personality or possible neurodivergent and mental health differences.
5. Avoid biased language like the ageist "digital native" and masculine-coded "hard-charging."
6. Avoid asking for anything that is not indeed required but may limit the applicant pool.

In addition, neuroinclusive job advertisements must use plain language, avoid jargon, and provide clear and precise information about the job content.

Where and how jobs are advertised also matter for all types of diversity: ethnic, class, cultural, or neurodiversity. For example, recruiting from local community colleges, Ivy League universities, and historically Black colleges and universities (HBCUs) will result in different demographic profiles of applicants. Organizations aiming to appeal to neurodivergent candidates also often use targeted recruitment strategies.

Applicant Screening and Selection

In most organizations, receipt of the candidate's application signifies the move to the next stage of the hiring process: candidate screening. Screening typically refers to the initial round of "selecting out" applicants who are the least qualified or not qualified. Regardless of the specific screening approach, checking for biases—human or algorithmic—is essential.

For many job seekers, interviews have become tools of exclusion and social disablement. These effects are particularly

When rewards are based on “looking productive,” people will do whatever it takes to look productive.

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drastic for autistic job seekers. Neuronormative small talk expectations in interviews subject autistic applicants to “style over substance” judgments. Evaluators often make these negative judgments quickly and largely outside their awareness, later justifying them with statements about “poor fit.”

We can eliminate interviews and rely on skills tests instead. Many other companies have tried modifying interviews for neurodivergent people by providing questions in advance and making the situation as comfortable as possible. Others have done away with interviews altogether. The latter approach is well aligned with the growing trend toward skills-based hiring.

CHAPTER 5

Starting Off Right

Onboarding is the process of integrating a new employee into an organization. It is much more than a new employee orientation. The process can present additional challenges for employees who come from different cultures, marginalized demographic groups, or stigmatized populations like disabled or neurodivergent employees.

In contrast, an inclusively designed onboarding process can set the tone for a welcoming and fair environment and contribute to the process of continuous organizational improvement and nurturing a positive culture.

Preboarding

One way to improve onboarding is to design a quality preboarding experience. Preboarding refers to the period between the job offer and the first day at work. It is often focused on filling out forms, which can allow onboarding to focus on the social and cultural experience.

Here are a few ways in which leaders in organizations can enhance preboarding and support a smooth employee transition:

- Understand individual needs
- Ease the paperwork burden
- Provide clear information
- Maintain ongoing communication
- Offer a mentor or buddy system early

- Offer a workplace preview before the first day
- Provide accommodations
- Develop a support network

By designing a thoughtful preboarding process, organizations can cultivate a supportive environment that is likely to translate into better retention and morale. Robust and flexible preboarding supports a culture of inclusion and a sense of belonging.

Socialization and Relationship Building

Effective training and onboarding for neurodivergent employees should go beyond simply providing information about the job role. The onboarding period should be a supportive and welcoming introduction to the organization’s culture and social environment.

Tailored support that considers individual social needs and comfort levels can make or break the onboarding experience. Considerate and respectful socialization provides opportunities for every new hire, regardless of their neurotype, to feel a welcomed part of the organizational culture.

Continuous Feedback

Regular feedback is crucial during the onboarding process. It helps neurodivergent employees understand their performance, areas for improvement, and progress toward goals. When implemented correctly, it should also give them the opportunity to voice concerns or request additional support.

Providing quality feedback for the successful onboarding of neurodivergent employees requires a thoughtful and inclusive approach. Here are some crucial considerations to keep in mind:

- Invite participation
- Offer choices on how feedback is delivered
- Create a safe environment
- Focus on specific behaviors and goals
- Be clear and specific
- Focus on growth
- Avoid overload
- Follow up

Neuroinclusion Training

Traditional methods of integrating neurodivergent employees (with most research focused on autistic employees) into the workplace have often been rooted in the medical model, primarily focusing on teaching individuals to adapt to neurotypical standards. But as research has consistently shown, this approach falls short.

Instead of trying to force neurodivergent individuals to fit a rigid neuronormative “box,” organizations need to develop neuroinclusive environments and provide all employees with effective neuroinclusion training, helping them embrace neurodiversity.

Such a shift in the focus from correction to connection requires training that would cover at least the following:

- Recognizing individual uniqueness
- Addressing both the denial of abilities and the denial of difficulties
- Understanding accommodations

Effective training—whether in-person, virtual, or hybrid—should involve ample opportunities to ask questions, both openly and anonymously, and clarify misconceptions.

Ideally, training should include multiple perspectives of individuals with lived experiences to illustrate the breadth of the neurodiversity umbrella.

CHAPTER 6

Work Environment

Planning physical spaces for inclusion and flexibility is, undeniably, a challenge. How do we balance the needs of people with low vision or who are hard of hearing, those who are sensory sensitive and experience incapacitating sensory overload, and those who seek extra stimulation?

The Canary Code principles of participation and flexibility suggest an answer. Developing spaces that can support many different people can only be accomplished with the participation and engagement of many different people.

Holistic belonging applied to the work environment means understanding that our performance, health, and well-being are significantly influenced by workspaces.

In some cases, inaccessible or sensorily unwelcoming physical work environments by design or oversight exclude certain groups of individuals altogether.

CHAPTER 7

Work Organization

Many companies still focus on the number of hours worked, bodies in seats, faces seen, and words typed. Many systems still reward productivity theater in the form of meetings called, colleagues interrupted with pretend urgent communications, and much-trumpeted short-term wins that come at the expense of long-term losses.

Rewards based on “looking productive” encourage doing whatever it takes to “look productive.”

The illusion of productivity often hurts true productivity, which is inseparable from a long-term focus on quality and requires creating well-designed systems that support employees to do their best and take pride in their work.

One Size Fits None

If the goal of work organization is maximizing human talent, and unlocking people’s full potential then one-size-fits-all is a counterproductive approach. Uniformity for the sake of uniformity sacrifices productivity.

It makes far more sense to make work fit people.

Ellen Ernst Kossek, a leading researcher of flexibility in the workplace, and her colleagues describe schedule, workload, and continuity as ways to make work more flexible.

These three forms of flexibility help organizations adapt work to employees’ needs rather than forcing people to adapt to rigid work structures:

- **Schedule flexibility:** Adjusting work hours to fit an employee’s needs is a major facilitator of inclusion. Schedule flexibility can make working possible for some employees and greatly support productivity for others.
- **Workload flexibility:** Many employees value workload flexibility options, such as working full-time, part-time, or sharing a job with another part-time employee. With planning, workload flexibility is possible across all types of occupations.
- **Continuity flexibility:** This allows employees to take a leave of absence without losing their jobs and, in many cases, while retaining all or most of their salary. Besides paid maternity or paternity leave, other valuable types of leave that support inclusion and employee well-being include family, sick, mental health, education, sabbaticals, and adult gap years.

Inclusive leadership requires getting to know people and enabling them to work their best, even when their needs are very different from ours.

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CHAPTER 8

Psychological Work Environment

A study of more than 1.3 million employee reviews on Glassdoor revealed the five attributes of toxic cultures:

- noninclusive
- disrespectful
- unethical
- cutthroat
- abusive

These attributes play a major role in employee turnover and can perpetuate neuroexclusion.

Extensive research shows that how leaders behave, the social norms they establish through behavior they reward and tolerate, and the work design they mandate can create or clean up toxic cultures. Organizational systems, procedures, and expectations typically determine whether bullying is permissible, cutthroat behavior is encouraged, and ethical violations are overlooked.

Making Environments Inclusive

Every Canary Code principle is vital to building inclusive workplaces. Organizational justice, however, is a particularly powerful lever for making systems more inclusive.

Ensuring transparency and developing systems for procedural justice can help support equity and inclusion on the organizational level, even if unconscious or conscious biases are present to some extent on the individual level.

A classic example of transforming the culture of a major company from being infamously brutal, hostile, and backstabbing into one much more respectful and inclusive is Satya Nadella's work with Microsoft. After taking over in 2014, Nadella focused on developing empathy and compassion by encouraging the leadership team to practice nonviolent communication (NVC).

In the context of neuroinclusion, alternatives to NVC that focus more on facts than on feelings might be more considerate of people with alexithymia, a difficulty in labeling feelings. In addition to considerate communication, all principles of the Canary Code are relevant to building respect.

Ensuring Ethical Behavior

Unethical organizational practices result in one of the most insidious types of workplace harm: moral injury. Moral injury is caused by a threat to one's morality, such as harming others or failing to prevent harm, and observing leadership's betrayal in high-stakes situations.

The elevated sense of justice that often occurs among neurominorities, along with a history of trauma, could make these employees particularly vulnerable to moral injury and even exclude them from some jobs. The best way to prevent moral injury is to ensure transparent and ethical organizational operations.

CHAPTER 9

I Just Want to Be Myself

A study of career aspirations of autistic women in Australia showed that one of the key desires of study participants was to just be themselves. Yes, they wanted professional growth, meaningful work, and stable income, like most people. Yet their heart's cry was the desire to be their authentic selves.

Yet many managers still make this difficult for neurodivergent employees. Leaders who want to unlock the talents of neurodivergent people—and people in general—will do best by supporting everyone as one-of-a-kind human beings who want to be themselves.

Focus on Fairness

Bias enters into the process of performance management in many ways. Neurodivergent personality traits, where someone was born, and what someone looks like can all influence how people perceive and evaluate human behavior and performance. These characteristics are not related to performance, yet they still shape evaluations by people and by AI trained on the patterns and decisions of those people.

Managers and HR professionals can greatly improve the effectiveness of performance management and employee well-being by applying the principles of the Canary Code.

Using de-biased tools is crucial to supporting equity and countering bias. Additional safeguards for ensuring ob-

jectivity include checking evaluations of all employees for consistency and statistically comparing evaluation averages for different groups of employees.

CHAPTER 10

Leading for Inclusion: The Why

The business case for inclusion has produced much rhetoric that, at first glance, may sound well-intended but is, in fact, misguided and potentially harmful. It is highly problematic to promote disability or difference as an opportunity for other people to take advantage of.

This messaging happens, for example, when the autistic tendency to work without breaks (and to complete exhaustion) is promoted as part of the “business case” for hiring autistic professionals or when autistic loyalty is touted as something that makes retention efforts unnecessary.

More generally, the widespread practice of having to make a case for hiring people from marginalized groups, be it neurominorities or any other group, continues othering these people and perpetuates the power imbalance. Forcing the less privileged to keep justifying their existence to the more privileged is not a path to a fairer society. The best case for diversity might be just valuing humans.

The Why of Inclusion

The human case for inclusion reflects moral and ethical arguments for creating diverse and inclusive environments. It emphasizes human dignity, equity, social justice, and the right of every individual to participate fully and meaningfully in an organization.

The business case for inclusion focuses on the tangible benefits to the organization, such as attracting diverse talent, increasing creativity, facilitating better decision-making, improving reputation, and greater profitability.

Zero-sum thinking with mutually exclusive human and business cases is rooted in a fragmented understanding of how diversity and inclusion influence complex systems. By recognizing the interconnectedness of humans and organizational systems, we can let go of false dichotomies.

When employees are diverse and thrive, organizations and economies thrive. This integrated approach, which I call *inclusive thriving*, upholds the inherent dignity and human value of employees while also recognizing that inclusion is a smart long-term organizational strategy.

CHAPTER 11

Leading for Inclusion: The How

Even with a strong *why*, the *how* of neuroinclusion can be intimidating. Managers face many challenges and are not always prepared to deal with them. People are complex, and there is always more to learn about solving unique problems and creating better systems.

Inclusive leadership requires getting to know people and enabling them to work their best, even when their needs are very different from ours. Treating others as they need to be treated is not easy, intuitive, or automatic. However, studies indicate that, with practice, people can develop a habit of perspective-taking.

Some steps for integrating perspective-taking into organizational habits include the following:

1. Dedicate time for problem solving
2. Focus on understanding diverse experiences and viewpoints
3. Promote data and evidence sharing to better understand different perspectives
4. Foster a multilevel perspective

The How of Caring Smarter

Being a considerate leader doesn't necessarily mean doing more. It may mean doing things differently and, rather than just adding new practices, discontinuing some old ones.

Proactively supporting people can also help prevent time-consuming interpersonal or performance problems that may otherwise arise in the long run. Here are some principles for caring smarter:

1. **Mindset shift:** Considerate leadership is more about a shift in mindset than adding to our to-do lists. It involves seeing our team members as individuals with unique strengths and needs.
2. **Quality matters:** Being a considerate leader is not about working longer hours. It's about focusing on key experiences and being thoughtful in interactions.
3. **Listening over talking:** Encouraging open, constructive communication helps prevent the gradual build-up of pent-up frustration.
4. **Empowerment over control:** This often means stepping back and allowing others to step up and develop self-leadership, a characteristic particularly important for hybrid and remote work.

Instead of forcing people to fit work,
it makes far more sense to make work fit people.

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5. **Establishing systems for a considerate climate:**
Systems can be as simple as asking people how they work best and acting on it.

CHAPTER 12

Leadership Practices

In reality, there are more neurodivergent leaders than most people realize. Many are “in the closet” for a good reason. Neuroexclusion is no joke. Those who brave disclosure often pay the price—pulled promotions, reduced pay, and bullying.

Still other neurodivergent leaders could not disclose if they wanted to because they were not aware of their neurodivergence until much later in life.

They just work, lead, do their best, and offer fascinating leadership lessons that just might help improve all our organizations.

If there is more than one way to be a leader, then why do most organizations have only one leadership pathway? Why are people with great strategic minds told they are not “leadership material” just because they find small talk draining?

To build a diverse, strengths-focused workplace and leadership, we must first discard several highly damaging myths:

1. **The “ideal leader” myth:**
The idea that there is an ideal type of leader endowed with the right set of characteristics.
2. **The “pipeline” myth:**
The idea that there is a linear career path or pipeline that all aspiring leaders should follow.
3. **The “culture-fit” myth:**
The idea that all employees need to fit into a company’s culture to contribute and succeed.

Supporting the Strengths

As organizations confront increasingly complex problems, a one-size-fits-all approach to career development that leads to homogeneity in leadership is becoming ineffective.

Here are a few examples of how organizations can implement multiple leadership pathways:

- **People leadership focus:** Employees whose strengths lie in interpersonal skills, emotional intelligence, and coaching may be drawn to people management and development roles.
- **Systems leadership focus:** Employees who excel in data analysis, systems thinking, and process design may thrive in roles focused on systems and processes.
- **Strategy leadership focus:** Those who are strong at monitoring external trends and mapping an organization’s long-term direction may be well suited for strategy-focused roles.
- **Expert leadership focus:** Employees who enjoy developing deep expertise in specialized fields—such as legal, medical, engineering, or research—may prefer expert roles.
- **Thought leadership focus:** This pathway may suit employees who enjoy generating ideas and solving complex problems beyond the organization.
- **Global leadership focus:** Employees who enjoy working across cultures, languages, and borders may be drawn to global leadership roles.
- **Creative leadership focus:** Roles centered on creativity, innovation, and design thinking may appeal to employees with strong ideation skills.

Leading Through Influence

Leadership may look like a mysterious art, but it is also a craft with a toolbox of approaches, and some of these tools might be particularly effective when we are imperfect and authentic in practice.

We could also benefit from reframing our leadership by separating it from positions of management and formal authority, even when we are in positions of formal authority in our organizations. Often, we can lead as if we were leading without formal authority.

Social psychologists John French and Bertram Raven described five bases of interpersonal power, or the ability to effect change. They disagreed on the sixth: informational power. French believed that information produced influence but not power. Raven, in contrast, argued that informational influence *is* power.

Here is the six-element version of the framework:

1. Legitimate power is positional power. A supervisor's job title signals the legitimate authority to be in charge.
2. Reward power is based on the ability to award bonuses, raises, promotions, and privileges.
3. Coercive power is supported by the ability to punish via demotion, undesirable scheduling, inferior workspace, or termination.
4. Referent power stems from our identification with leaders and the intrinsic desire to follow their example.
5. Expert power stems from our belief that the leader has a deeper understanding of relevant topics and therefore "knows best."
6. Informational influence/power goes beyond expert power by adding an element of learning. Not only does the leader know best but the follower is also developing an advanced understanding of why something is "best." As a result, followers experience a change of mind and know the reason for action.

Positional leaders still can, and sometimes need to, use legitimate, reward, and even coercive power. But as work becomes increasingly cognitive and emotional, the importance of referent, expert, and informational leadership powers will continue to grow, while the power of managerial levers will likely diminish.

Stigma and prejudice have forced many neurodivergent leaders to accomplish their work with little to no positional power. Although this is taxing, it may also result in developing the skill of using influence without coercion or rewards—an invaluable skill for leading in remote and hybrid situations and for leading social action.

Conclusion

An opportunity to go further and make meaningful contributions is something that many neurodivergent people, all over the world, long for. And the larger society needs the contributions of neurodivergent people, even if it is not quite aware of it. This raises an important question: how can we all make a difference?

Much more change is needed. Addressing the unemployment gaps faced by neurodivergent people requires a comprehensive approach—a 360-degree approach to inclusion—with governments, CEOs, HR professionals, managers, and everyday humans all playing essential roles.

Systemic and lasting change involves changing nation-level structures and legislation, organizational structures and processes, as well as social norms and individual attitudes. This means that many people, with and without the power of the office, can play significant roles in facilitating the change. The cycle of change can start from any point.

We influence the world every day, whether we know it or not, whether we expect it or not. You might inspire your neighbor, your boss, a colleague, or someone on the other side of the world.

In a 360-degree interconnected world, every act of kindness and honoring human dignity can have a far-reaching ripple effect across organizations and communities.



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· Book 31 of 46 ·

The Coming Jobs War



The Coming Jobs War

What Every Leader Must Know About the Future of Job Creation

THE SUMMARY IN BRIEF

What everyone in the world wants is a good job.

In a provocative book for business and government leaders, Gallup Chairman Jim Clifton describes how this undeniable fact will affect all leadership decisions as countries wage war to produce the best jobs.

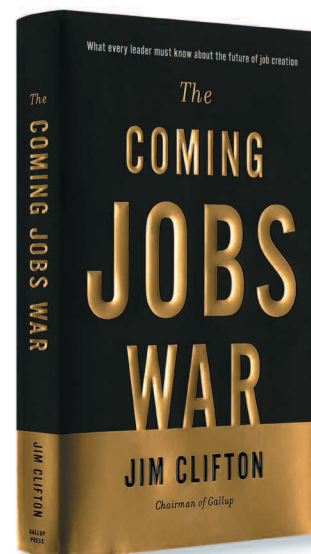
Leaders of countries and cities, Clifton writes in *The Coming Jobs War*, should focus on creating good jobs because as jobs go, so does the fate of nations. Jobs bring prosperity, peace and human development — but long-term unemployment ruins lives, cities and countries.

Creating good jobs is tough, and many leaders are doing many things wrong. They're undercutting entrepreneurs instead of cultivating them. They're running companies with depressed work forces. They're letting the next generation of job creators rot in bad schools.

A global jobs war is coming and there's no time to waste. Cities are crumbling for lack of good jobs. Nations are in revolt because their people can't get good jobs. The cities and countries that act first — that focus everything they have on creating good jobs — are the ones that will win.

IN THIS SUMMARY, YOU WILL LEARN:

- What the business community needs to do so that it can compete with cheaper labor.
- Why the health care system must stop wasting the resources that we need to spend on job competition.
- Why society needs to realize that entrepreneurs, not government, are the source of new jobs and put all its energy behind them.
- Why leaders must recognize universities, mentors and especially cities as powerful sources of job creation.
- Why everyone needs to compete to win the coming jobs war.



by Jim Clifton

CONTENTS

Introduction

Page 2

What 7 Billion People Want

Page 3

China's Surge

Page 3

Classical Economics vs. Behavioral Economics

Page 4

Cities

Page 5

Entrepreneurship vs. Innovation

Page 6

High-Energy Workplaces

Page 6

Customer Science

Page 7

K-12 Schools — Where Entrepreneurs Are Created

Page 7

Global Wellbeing

Page 6

THE COMPLETE SUMMARY: THE COMING JOBS WAR

by Jim Clifton

The author: Jim Clifton is chairman and CEO of Gallup. His most recent innovation, the Gallup World Poll, is designed to give the world's 7 billion citizens a voice in virtually all key global issues. Under Clifton's leadership, Gallup has expanded from a predominantly U.S.-based company to a worldwide organization with 40 offices in 30 countries and regions. Clifton is also the creator of The Gallup Path, a metric-based economic model that establishes the linkages among human nature in the workplace, customer engagement and business outcomes. This model is used in performance management systems in more than 500 companies worldwide.

The Coming Jobs War: What Every Leader Must Know About the Future of Job Creation by Jim Clifton. Copyright © 2011 Gallup, Inc. Summarized by permission of the publisher, Gallup Press. 225 pages, \$24.95.

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For additional information on the author, go to www.summary.com.

Introduction

The coming world war is an all-out global war for good jobs.

As of 2008, the war for good jobs has trumped all other leadership activities because it's been the cause and the effect of everything else that countries have experienced. This will become even more real in the future as global competition intensifies. If countries fail at creating jobs, their societies will fall apart. Countries and, more specifically, cities will experience suffering, instability, chaos and eventually revolution. This is the new world that leaders will confront.

Of the 7 billion people on Earth, there are 5 billion adults aged 15 and older. Of these 5 billion, 3 billion tell Gallup they work or want to work. Most of these people need a full-time formal job. The problem is that there are currently only 1.2 billion full-time, formal jobs in the world. This is a potentially devastating global shortfall of about 1.8 billion good jobs. It means that global unemployment for those seeking a formal good job with a paycheck and 30+ hours of steady work approaches a staggering 50 percent, with another 10 percent wanting part-time work.

This also means that potential societal stress and instability lies within 1.8 billion — nearly a quarter of the world's population.

It's against this backdrop that the coming jobs war will be fought. And this new world war for good jobs will trump everything else. That's because the lack of good jobs will become the root cause of almost all world

problems that America and other countries will attempt to deal with through humanitarian aid, military force and politics. The lack of good jobs will become the cause of hunger, extremism, out-of-control migration patterns, reckless environmental trends, widening trade imbalances, and on and on.

My big conclusion from reviewing Gallup's polling on what the world is thinking on pretty much everything is that the next 30 years won't be led by U.S. political or military force. Instead, the world will be led with a force that is primarily driven by job creation and quality Gross Domestic Product (GDP) growth.

The demands of leadership have changed. The highest levels of leadership require mastery of a new task: job creation. Traditional leadership through politics, military force, religion or personal values won't work in the future like it has in the past. The nuances of personal values will be anchored in how they affect almighty jobs more than in Almighty God — or anything else.

As of 2010, the world had a total GDP — or the sum of countries' total goods and services for one year — of \$60 trillion. Of this, the United States had nearly \$15 trillion or about 25 percent, which is huge. Over the next 30 years, the global GDP will grow to an estimated \$200 trillion. So a new \$140 trillion of customers, employees, new businesses and equity will come into the global mix. The global war for jobs will be an all-out battle for that \$140 trillion because within that sum of money is the next evolution of the best jobs in the world. Within that \$140 trillion will rise the next economic empires, as well as the potential for societal hell. ●



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What 7 Billion People Want

More and more often, global leaders ask Gallup the same simple, yet colossal, question: “Does anyone know for sure what the whole world is thinking?”

What people think about — whether it’s the economy, the Middle East, energy sources or the environment — affects their behavior.

If leaders knew what the whole world was thinking — not just their own people — on almost all issues all the time, at the very least, their jobs would be a lot easier. At most, knowing what the world was thinking would make the work they do more effective. Leaders wouldn’t make mistakes and miss opportunities because they misjudged the hearts and minds of their constituencies and the rest of the 7 billion with whom those constituencies interact.

It is precisely to make global leaders more effective why we at Gallup created a new body of behavioral economic data that represents the opinions of the world’s 7 billion inhabitants across nearly every country and demographic and sociographic group imaginable. We call it the World Poll. We started it in 2005 and are committed to doing it for 100 years.

A World-Altering Fact

Six years into our global data collection effort, we may have already found the single most searing, clarifying, helpful, world-altering fact.

What the whole world wants is a good job.

This is one of the most important discoveries Gallup has ever made. At the very least, it needs to be considered in every policy, every law and every social initiative. All leaders need to consider it every day in everything they do.

The desire for a good job is the current will of the world, and whether or not you have a good job defines your relationship with your city, your country and the whole world around you. ●

Joblessness

America’s most pressing current problem, according to Gallup, is a lack of good jobs. The country doesn’t have enough good, full-time jobs for people who want work.

One might be led to think that America’s most pressing problem is health care costs. It is not. Health care is a huge problem wrecking the economy and human energy, but it’s not the biggest problem.

One might be led to believe that runaway government spending is the most pressing problem. It is not.

One might be led to think that the most pressing challenge is global terrorism. It is not.

None of these problems matter when compared with the likely possibility of America slowly and then suddenly going broke — because none of these problems are so near. Going broke is what happens when there aren’t enough good jobs.

The Chicken and the Egg

GDP is a very important metric. It goes up when businesses are growing and customers are spending because GDP is the sum of all production and spending in one country in one year. Seventy percent of America’s GDP is just consumer spending.

So if you run a business, you might think of GDP as top-line sales or total revenue. When GDP is growing, everything is going great because you’re creating new jobs and increasing hiring. People have growing paychecks and pride in their work life, and everyone is spending. Everyone is exchanging goods and services of all kinds as fast as they can.

But when GDP is falling, as in the worst recession in more than 60 years, everything goes wrong for workers. Businesses and organizations of all types reduce spending, stop borrowing and stop sticking their necks out. They slash expenses to survive, including research and development, marketing and advertising, and they institute hiring and travel freezes. Of course, jobs are eliminated and people get laid off because organizations don’t have enough money to spend on basics.

That is where America is now. And it’s likely to get worse. When it does, China is ready to take its place. ●

China’s Surge

Current economic predictions, with few if any dissenters, say that in the next 30 years, China’s GDP will grow to a total far larger than that of the United States. The total world GDP in 2010 was more than \$60 trillion.

You might be wondering how India and Russia will do. They might do OK, but they’re starting too far back. India and Russia have GDPs approaching \$1.5 trillion apiece. Almost nobody knows this because India and China are so often discussed in the same conversation, under the assumption that their GDPs are of similar size. Those who have been saying for 10 years that India is the one to watch, not China, are at least temporarily wrong. India might do well, but the country is getting routed by the Middle Kingdom.

Right now, China’s GDP is more than four times big-

Summary: THE COMING JOBS WAR

ger than India's. And it's more than three times bigger than Russia's and more than double Brazil's. Japan is close to China at slightly more than \$5 trillion, but Japan's economy is even more stalled than America's. Germany is next at \$3.3 trillion. The United Kingdom is just over \$2 trillion and France is just over \$2.5 trillion — and they are both stalled. China's nearly \$6 trillion GDP is on a historic, world-order-changing run of nearly 10 percent growth per year.

Over the next 30 years, with total global GDP growth of approximately 4 percent annually, GDP will likely grow to a total of \$200 trillion. Virtually all economists I've read predict that China's GDP will bounce to about \$70 trillion by 2040 — a 35 percent market share of the entire world's economy. Those economists predict that the U.S. GDP will be growing at an average of 2.5 percent to about \$30 trillion, or 15 percent global market share in 2040.

When and if that happens, America loses. The world changes; *everything* changes. China may dominate the world. But it won't have to use its military. When its GDP surpasses America's, it will dominate the world economically by a margin far more than the United States currently has. At that point, China will be the new leader of the world. All decisions between countries on the subjects of peace, trade, environment, borders, laws and human rights would defer to China. Because more than ever, the new golden rule applies: He who has the gold, rules. And the country with the dominant GDP has the gold and the good jobs.

It's vital to understand all those GDP numbers because almighty jobs live in combination with GDP growth. Everything you just read will come true unless America gets its economic engine restarted and roaring. If not, it will slide into a new economic hell that few can imagine. ●

Unless ...

The United States will be overwhelmed by China unless there is an economic miracle. Americans are betting their entire country and the future of their children on one big "unless."

Economic historian Robert William Fogel, like many thought leaders, leaves room for that big "unless." "Anything's possible," he wrote. "An unexpected technological breakthrough could also shake things up." While his calculations cannot account for unforeseen world-changing inventions, it is more precise to say that his calculations cannot account for world-changing moments of rare entrepreneurship — because they aren't sensitive enough to detect the next Steve Jobs, Bill

Gates, Meg Whitman and Mark Zuckerberg or the next Apple, Microsoft, eBay and Facebook.

What top economists' algorithms can't account for is exactly where America's hope for the future lies. And there is reason to hope. On some days, it seems impossible to me that this current economic nightmare can ever be fixed — but the nightmare has been fixed before.

Few thought leaders know this. America has been here before. *Exactly* here.

Germany and Japan

More than 30 years ago, I was watching a panel of economists on TV, liberal and conservative, predicting that the United States would lose its global GDP lead, its economic advantage, to Japan and Germany. Based on what must have been simple regression equations, they could see that because of Japan's and Germany's growing manufacturing superiority, they would overtake America's leading economic position — especially Japan.

Of course, they were wrong. The United States didn't surrender its economic lead, and it jumped from an estimated destination of \$3.8 trillion up to a staggering \$15 trillion, a bigger lead than virtually anyone saw coming. Not only did the United States *not* lose, it jumped unforeseeably ahead in the creation of great jobs and GDP. America didn't fall to third; its GDP grew bigger than Japan's and Germany's economies added together. America grew at nearly five times the rate forecasted by the best economists.

So here America is in exactly the same place, except the experts predict that it's China the U.S. will fall to, rather than Japan and Germany.

What made the classical economists' predictions wrong more than 30 years ago was that their formulas and algorithms were limited. They couldn't see innovation combined with the entrepreneurship of thousands of small, medium and big businesses sprouting up all around to create a historic run of GDP and job growth.

The traditional or classical economic formulas didn't work because the blind spot of unpredictable human entrepreneurship overwhelmed and washed out all the rest of the variables in the calculations. ●

Classical Economics vs. Behavioral Economics

Classical economics is the institution of data that records virtually every transaction of life. You are born, and someone writes that down. And then someone writes down everything else you do, especially everything you buy or sell in a lifetime — your visits to the dentist, your grades, your traffic tickets, every trip to the grocery store and mall and what you bought, your stock purchases, your vacations, your credit card purchases,

Summary: THE COMING JOBS WAR

your phone bills, the TV shows you watch — absolutely everything that can be recorded is.

Basically, classical economics is the science and institution of all transactions within a life, compounded over *all* lives. All that stuff makes up GDP.

The problem with using classical economics to foresee the future is that the most powerful predictors of GDP now lie within the fields of entrepreneurship and innovation. They are nearly impossible to see, let alone forecast. These blind spots hold more weight than what is visible. Within these blind spots are the most needed answers to this ultimate question:

What is the likelihood that there will be an unpredicted, transformational event that will cause a sudden, extraordinary surge of entrepreneurship and innovation just like the one 30 years ago that saved America?

The answer lies within behavioral economics.

Behavioral Economics

Behavioral economics represents a set of data that doesn't contradict, but complements classical economics.

Most academics define behavioral economics as the science of *choice*. Of course, everything people do during a day is based on what they decide. According to Princeton professor Daniel Kahneman, people make as many as 10,000 to 20,000 small moment-to-moment choices and a few big decisions every day. The annual total of America's small, medium and large decision moments is roughly 1,000,000,000,000,000 — one quadrillion.

The science of behavioral economics is the mathematical quantification of the role human nature plays within those quadrillion moments of thought.

Collectively, there are infinite combinations of states of mind and thought patterns that occur before classical economics can record sales, transactions, and subsequent contributions to GDP. Each of them is critical because each of them is wired to job creation.

The core energy of entrepreneurship and innovation, the fuel for GDP, lies somewhere within the patterns and trends of these data. Simple states of mind, like confidence, optimism, creativity, hope and drive, all exist *before* decisions that create the transactions of life. Those are the things that bring sudden GDP growth.

When leaders include the behavioral economics of the quadrillion decision moments of 300 million Americans in all their strategic leadership thinking, they change everything. The outpouring of human energy in one quadrillion moments creates surges in entrepreneurship and innovation, which in turn causes GDP and job growth to swell.

That's why behavioral economics is the new secret weapon for all leaders. ●

Cities

If you were to ask me, "From all the data you have studied so far, where will the next economic breakthrough come from?" my answer would be: *From the combination of the forces within big cities, great universities and powerful local leaders*. Those three compose the most reliable, controllable solution. Their combined effect is the most predictable solution to America's biggest current problem, which is winning the global war for good jobs.

The cornerstone of these three is cities, especially America's top cities. All cities count and can contribute.

Fixing America's biggest problems and re-winning the world can only be accomplished one city at a time.

Strong leadership teams are already in place within cities. A natural order is already present, in government, local business, and philanthropic entities. Every city has strong, caring leaders working on numerous committees and initiatives to fuel their local economic growth — let's call it the city GDP — and to create good jobs. The feat these leaders have to pull off is doubling their entrepreneurial energy by aligning all their local forces.

They succeed by declaring all-out war. I don't use the term "war" lightly. This really has to be a war on job loss, low workplace energy, health care costs, low graduation rates, brain drain, and community disengagement. Those things destroy cities, job growth, and destroy city GDP. Every city requires its own master plan that is as serious as planning for war.

That plan must focus on the following:

1. *Recognize that the most important solutions are local.*
2. *Have your whole city wage a war for jobs.* The jobs war is won by knowledge jobs. Aim everything at those.
3. *Align efforts citywide.* Every city needs a team to work on the alignment, focus and strategies that put all businesses and local institutions on the same page.

Economic Outcome Variation

Of course cities, like organizations and workplaces, exhibit wide variation in economic outcomes. Think how different Detroit's outcomes are from San Francisco's. Detroit went from being one of the most bustling economic cities in the world to one of the most spectacularly failed. One could even argue that citizens in San Francisco saved the republic and national job creation by leading the technology boom. One city is a drain on America and the other continues to save it.

4. *Don't allow your local constituencies to look to Washington. You have to jumpstart your city yourself.* ●

Entrepreneurship vs. Innovation

One of my favorite entrepreneurs is Wayne Huizenga. He has had, in my opinion, three humble business ideas in his career.

When he was a garbage collection manager, he decided to build his own trash collecting business. That was a bad idea because the world didn't need another trash collection company. But nevertheless, he built his own trash collection business. And he turned it into a great multibillion-dollar worldwide organization, a Fortune 500 company and a leader in environmental sustainability that was profitable and valuable to its customers, a great place to work and an international powerhouse. You have heard of it: Waste Management, Inc.

The question is: Was it the idea or Wayne that made Waste Management such a successful American enterprise for tens of thousands of highly engaged employees and that created good jobs of all kinds? Most global thought leaders would believe it was Wayne's *good idea* more than his *entrepreneurship*.

Wayne's next idea was arguably worse. The big idea was to rent movie videos through branded outlets, malls and small free-standing buildings. It didn't sound very good to me — and I did much of the research on it for him. That became his second multibillion-dollar Fortune 500 company — Blockbuster Inc. And Blockbuster, too, was a great American organization that created millions of customers and a hundred thousand new jobs.

Then he had one more idea. Once again, everyone said he had a bad idea: a national chain of used car outlets. He called it AutoNation, Inc., and it became his third multibillion-dollar Fortune 500 company.

So what explains these staggering successes: the innovation or Wayne? This is a really important question because whatever idea Wayne chooses seems to become a *good idea*. The predicting variable of success in Wayne's case is "Whatever idea Wayne chooses is a good idea because he makes its business model work." It is not "Wayne is good at picking innovative ideas."

But most thought leaders still believe it's the second answer.

It is wiser to study the person than the idea.

Is it innovation or entrepreneurship? It is both. But the key insight here is that innovation by itself has no value until it is chosen by talented entrepreneurs. ●

High-Energy Workplaces

Let me summarize the biggest body of behavioral economic data in the world on workplaces. It comes from a Gallup study on workplace productivity, and it consists of 12 critical elements of work life. Gallup has asked millions of workers worldwide to respond to these items for more than a decade and always finds the same thing: Miserable employees create miserable customers.

That may seem obvious, but try to find solid metrics in any organization that clearly link employee misery to customer outcomes by individual work unit. Every company has solid-gold data for sales and profit or product defects, but few know their misery quotient by workgroup.

And if you can't find the misery quotient, I guarantee your accounting department will. It will take a year or two though. I've observed that employee misery precedes all the easy-to-find data by one day to two years, depending on the type of business. Somebody in the company needs to treat a customer like hell for between one day and two years before the customer will defect. Customer defections are immediately followed by job loss.

But few companies know their misery quotient.

Defective Employees

For all you Six Sigma enthusiasts, a miserable employee, particularly a miserable manager, is a defect — a defect for the company, the customer and, ultimately, the country. Gallup counted the number of extremely miserable employees — which we refer to as "actively disengaged" because they also encourage others to be disengaged — at 20 million nationwide. Of approximately 100 million full-time workers, there are 20 million actively disengaged employees in the United States.

Re-winning the world's best jobs is part of winning the innovation and entrepreneurial wars. And as America wins those, initially it will be manufacturing its own inventions, at which the country will *temporarily* be the best in the world. But shortly thereafter, far cheaper labor in other countries is likely to take that over.

That is OK, as long as the United States incorporates the invention, creates the almighty business model, and owns and operates it around the world. This simple U.S. world trade and economic strategy works in many productive ways now. This whole premise depends on Americans' ability to be innovators, to be entrepreneurs and especially to create world-class business models to ignite authentic GDP growth and job creation.

Low-energy workplaces, or as Gallup calls them, disengaged workplaces, will derail that. ●

Customer Science

To win the jobs war, America needs to be the best in the world not only at entrepreneurship and innovation, but also at customer science. The country simply cannot win new jobs unless it uses the most advanced sciences in the world to create billions of new global customers.

Simply put, new global customers create new U.S. jobs. That's why America needs to more than triple exports in the next five years — or continue on a downward slide. The battle for global customers will be the defining element in the new war for jobs and GDP growth. Whoever sells the goods and services, and whoever owns the companies that own the customers, wins. The United States needs to average a minimum 10 percent annual increase in exports over the next 30 years to maintain its leadership of the free world.

If America allows China — or India or anyone else — to get further into behavioral economics and customer science than it does, the country will lose the jobs war. That is what Toyota, Volkswagen and other automakers did to U.S. car companies. They won by simply listening to customers better and then delivering what customers wanted at fair prices. America cannot afford to concede the science of customer insights or customer-centric innovations to China or any other foreign competitors or it risks losing to them. This is a “game over” moment for America. ●

K-12 Schools — Where Entrepreneurs Are Created

There are more than 75 million students enrolled in schools in the United States — nearly 50 million in the 5th through 12th grades. They are the successors of today's business leaders. The problem is, approximately 30 percent of those students will drop out or fail to graduate on schedule. About 50 percent of minorities are dropping out. This gives the rest of the developed world a huge advantage over the United States in the upcoming economic wars.

If this problem isn't fixed fast, the United States will lose the next worldwide, economic, job-based war because its players can't read, write or think as well as their competitors in a game for keeps — their talent doesn't get maximized. Even more deadly, Gallup suspects that those students' spirits and hope are being irreparably broken.

Educational researchers in the United States are quick to admit that the best science and efforts are nowhere near finding a solution to this problem.

This can be fixed if America aims its strategies at the

cause versus the *effects* of hopelessness. Therefore, leadership strategy must, first and foremost, be built on hope rather than on grades and attendance, because loss of hope precedes bad grades and truancy. Gallup scientists have learned that hope predicts academic success and graduation better than grades or test scores do.

Increasing hope isn't easy, but it can be done. And it has to be done locally, on a citywide basis rather than on a national one. Only local focus has a chance. ●

Fix Health Care or Destroy Job Creation

Health care is the United States' biggest most immediate fiscal budget problem, and there are no solutions so far because U.S. leaders dig in the wrong place. Here is what you, as a leader, need to know about the health care crisis to fix it in your city:

1. The [2011] health care reform bill is not a “health care bill.” It is an insurance bill. It is a bill concerning coverage and payment. Nothing in it regards solutions to why America faces unaffordable costs or how to prevent health problems. It is a bill that changes how the money moves around. It is a bill about who gets health care and who pays for it.
2. The next big leadership breakthroughs in health care will be discovered within the sciences of behavioral economics, not medical laboratories. They definitely won't come from complex monetary policies that assign blame to everyone but the unfit American. The big fixes will be found in behavioral economics because the only way out of this is to focus on and encourage Americans to make different eating, smoking, exercise and lifestyle choices — in other words, prevention.
3. The Gallup-Healthways Well-Being Index concluded that obese and overweight people have less physical and psychological energy than the fit, that people who don't get enough sleep have less energy and that people who worry about their finances have higher levels of stress. This leads to unaffordable health care costs as well as a sluggish American work force. Ultimately, unfit people cost American taxpayers trillions of dollars that could have been spent on creating more jobs.
4. The only fix lies within the highly aligned strategies of cities and companies to improve health and wellbeing, especially focusing on reducing obesity as successfully as they did with cigarette smoking.

Summary: THE COMING JOBS WAR

Unless it is fixed, the health care mess will break the U.S. economy and hand the future of capitalism and the best jobs to China, India and others. ●

Global Wellbeing

Wellbeing is the mathematical description of the emotional and psychological state of your city, your nation, your constituency and your followers. It is the mathematical description of whether they're suffering, struggling or thriving; their hope; their physical health. It's whether they had a good day and a good year — a good life.

Almost no one knows or understands this: *Gross national wellbeing (GNW) occurs before GDP* in cities and countries. GNW, or the lack of it, occurs before revolutions and before significant political change. This means that virtually all world leaders and heads of states and cities are managing most of the wrong things. They are looking through the rearview mirror in an attempt to see the road ahead. Consequently, they are managing their countries and cities after the fact. Because GDP follows GNW, leaders need to understand the way wellbeing works, the impact it has on constituencies and, most importantly, how to change it.

Gallup has been asking wellbeing questions in more than 150 countries for the past six years. The responses have been subjected to a university math department-worth of statistical analysis so that a lot of complex numbers can be described simply as a "ladder of life."

Based on how respondents rate their current and future lives, Gallup scientists categorize them as "thriving," "struggling" or "suffering." Gallup has found that, worldwide, those who are employed by an employer and work for that employer for at least 30 hours per week are most likely to be thriving. Those who are employed part time and those who are unemployed are less likely to be thriving. The self-employed lag behind and are the least likely to be thriving. ●

Conclusion

For America to lead the new will of the world, it will have to master 10 demands:

1. The biggest problem facing the world is an inadequate supply of good jobs. The great global dream is now focused on having a good job.
2. Job creation can only be accomplished in cities. Jobs are as local as politics.
3. There are three key energy sources of job creation in America: the country's top 100 cities, its top 100 universities and its 10,000 local tribal leaders.

Having a Good Life

Gallup has found that the answers to wellbeing questions are highly correlated with other external ratings taken separately and independently. For instance, Gallup knows that those living in wealthier countries tend to have higher subjective wellbeing than those living in poor countries. While money doesn't guarantee happiness, living in a wealthy country certainly increases your odds of having a good life.

4. Entrepreneurship is more important than innovation. It's far better to invest in entrepreneurial people than in great ideas.
5. America cannot outrun its health care costs. American managers need to review their teams on performance and growth but also on overall health and wellbeing.
6. Because all public education results are local, local leaders need to lead their whole cities and all youth programs to war on the dropout rate with a strategy of one city, one school, one student at a time. If they don't, they will lose jobs.
7. The United States must differentiate itself by doubling its number of engaged employees. Running a lousy workplace is now not only bad business, but it is also un-American.
8. Jobs occur where new customers appear.
9. Every economy rides on the backs of small- to medium-sized business. So goes their state of mind, especially optimism and determination, so goes America's economic future.
10. So go exports, so goes the coming jobs war. The U.S. cannot win the coming jobs war by just selling more products to its own consumers. The country has to export.

Much of what I've written is grim and many of the prescriptions are hard. I've even wondered if any of this is possible. But it is. Look at all the engaged workers in companies all over the world. If they continue like this, they won't fail. ●

RECOMMENDED READING LIST

If you liked *The Coming Jobs War*, you'll also like:

1. **StandOut** by Marcus Buckingham. Buckingham provides practical advice on what to do to make the most of the strengths you have.
2. **Breaking the Fear Barrier** by Tom Rieger. Learn how bureaucracy and barriers can cost organizations a fortune in inefficiency, turnover, waste and demoralization.
3. **Great by Choice** by Jim Collins and Morten Hansen. Collins and Hansen show how you can build a truly great enterprise in fast-moving times.

· Book 32 of 46 ·

The Employee Experience Revolution

John DiJulius, Dave Murray

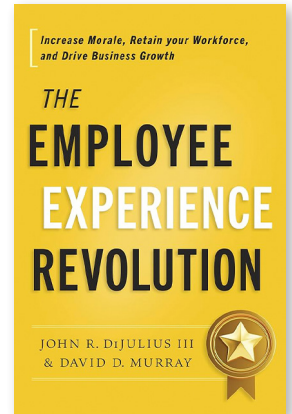


Executive Book Summaries®

The Employee Experience Revolution

Increase Morale, Retain your Workforce, and Drive Business Growth

by **John DiJulius and Dave Murray**



Contents

Chapter 1: We Are in a Recession...A Customer Experience Recession

Page 2

Chapter 3: The Power of Purpose

Page 3

Chapter 4: Creating a Recruitment Experience.

Page 4

Chapter 5: Creating an Employee Onboarding Experience

Page 4

Chapter 9: Leaving a Leadership Legacy

Page 7

THE SUMMARY IN BRIEF

What is the best indicator of a company's long-term health? Is it profitability? Is it stability and reputation within the industry? Not necessarily. Consistent profitability is dependent on one main thing – happy employees.

The Employee Experience Revolution: Increase Morale, Retain your Workforce, and Drive Business Growth makes the bold claim that a company's customer will never be happier than its employees. Workers are the ones who create and deliver an experience that makes customers come back to the brand time and time again. Authors John DiJulius and Dave Murray have a combined experience of 70 years in leading organizations. From creating great corporate cultures to molding an outstanding employee experience, they have helped brands like Lexus, Starbucks, Chick-fil-A, and The Ritz-Carlton strengthen their brand and employee involvement simultaneously.

Good pay is only one factor that contributes to employee satisfaction. The Employee Experience Revolution digs deeper and uncovers how job satisfaction is shaped by culture, purpose, recognition, and expectation management. Even details like the importance of working among similar-minded people are touched upon to paint a comprehensive picture.

IN THIS EXECUTIVE BOOK SUMMARY:

- What is the employee experience revolution?
- Find out how to shape the best recruitment experience.
- Steps that will enable all companies to retain their top talent.
- The secrets of building and developing great leaders.

Introduction

It is often said that our jobs don't define us, but our jobs and careers are a huge part of who we are. Work is a significant amount of the time we spend alive.

Work has to be rewarding. Financial rewards are great, but they're not the only thing that matters.

Leaders need to understand the importance of building the type of company that helps employees be proud of the work they do, allowing them to become their best selves.

Employees who lack motivation and commitment underperform. Those problems are fixable, as long as the leadership is committed to creating a strong culture that puts the employee in the very center.

Through its nine chapters, *The Employee Experience Revolution* outlines the approaches and everyday practices that create happy employees. It also looks deeper into why worker satisfaction has become more important now than it's ever been in the past.

Chapter 1: We Are in a Recession... A Customer Experience Recession

We are in one of the worst customer service recessions ever, and since 2018, this recession has been dropping faster than the Titanic.

Overall customer satisfaction has been spiraling out of control and hitting its lowest score in decades in 2022. The reasons that have contributed to this negative phenomenon are several: the economic slowdowns and societal shifts resulting from the Covid-19 pandemic, as well as the rapid growth that occurred prior to lockdowns. Many companies experienced unparalleled development and expansion in the years leading up to 2020. Because of the massive growth, they started paying less attention to both the employee and the customer experiences.

Employee and customer experiences are mentioned together for a reason.

What employees experience is also something that clients face during an interaction with a brand. The best marketing is happy, engaged employees. Your customers will never be happier than your employees. You can build amazing facilities, products, and services. Still, your people are the ones who create and deliver the experience that keeps customers coming back.

For many, the pandemic was a professional awakening. Employees started reevaluating their professional careers, not only in regards to what they wanted, but also what they weren't willing to tolerate anymore.

A significant percentage of the people who quit during and shortly after the pandemic did so because of poor corporate culture. Leaders focusing solely on productivity and bottom-line profits contributed majorly to such trends.

A focus on profit fails to take into account something very important – not all profits are good. Bad profit policies are the ones that exploit customers (through hidden fees, for example) and are indicative of strategic shortsightedness.

Companies relying heavily on bad profits alienate customers and offer opportunities for emerging brands to capitalize.

“In competitive markets, firms are rewarded for treating their customers well and punished for treating them badly. Investors in customer satisfaction don't just beat the market, they also contribute to a stronger economy,” American Customer Satisfaction Index chairman and founder Claes Fornell said.

This is why organizations need to focus on being brand experience strong. The term refers to how an organization intentionally interacts and treats every one of its stakeholders. The companies that will dominate their industries for the next decade will be the ones obsessed with evolving the experience at every level. – employee, customer, vendor, and community.

Chapter 2: Welcome to the Employee Experience Revolution

Younger generations are canceling hustle culture. There's a reason why and it's a lot more complex than young workers being lazy.

These generations watched their parents and grandparents work their tails off. For many older family members, all the hard work didn't pay off. Many got laid off, many had to continue working well into their retirement to support their families. Whether financial rewards were reaped or not, the hard work had a detrimental effect on the relationship that many professionals had with their loved ones.

Millennials and Gen Z members are not willing to trade the hope of advancement in their careers for their personal lives and happiness. They are perceiving hustle culture as “burnout culture.” They are challenging workaholism and the supposed benefits it brings to the table.

If an employee is dissatisfied with their job and works in a toxic environment, their overall happiness will be impacted.

The pandemic helped people understand the importance of real social connection. They started understanding the value of free time, especially while they were locked at home and freed from having to worry about their nine to five. All these factors made many workers join the Great Resignation and Quiet Quitting movements.

The Great Resignation (also called the Big Quit) refers to people who voluntarily left their jobs at higher than usual rates during the Covid-19 pandemic. Research suggests that they quit for one of three main reasons – low pay, no opportunities for advancement, and feeling disrespected at work.

The Quiet Quitting refers to a big shift in the way most of America works. Many of those who didn't join The Great Resignation bandwagon became disengaged and reluctant to go beyond their regular work hours and responsibilities. A switch to work from home has largely been blamed for the emergence of the Quiet Quitting.

At the same time, research has established that the overwhelming majority of Americans see job satisfaction as the key to a successful life. Surprisingly, marriage and being a parent happen to be much less prioritized.

These findings lead to an important conclusion – it's impossible to separate one's professional life from their personal life. If an employee is dissatisfied with their job and works in a toxic environment, their overall happiness will be impacted.

The Great Resignation, Quiet Quitting, and today's Cancel Culture are not indictments on employees, but rather business leaders' lack of focus on truly caring for the people who are under their command. Today, employees are more selective than ever regarding who they will work for; they are insisting that companies and their leaders help them live the right life.

"As employers, we have a golden opportunity to transform The Great Resignation into The Great Inspiration," Self Esteem Brands' cofounder Chuck Runyon said. "Especially after the two years [of the pandemic], people don't just want to be paid – they want to be inspired."

This employee experience revolution is tied to a customer

service revolution. Customer service revolution refers to a radical overthrow of conventional business mentality designed to transform what employees and customers experience. This shift produces a culture that permeates into people's personal lives, at home, and in the community, which in turn provides the business with higher sales, morale, and brand loyalty.

Chapter 3: The Power of Purpose

Millennials and Gen Z members pose unique challenges for businesses. Companies have to do a better job understanding what motivates these younger employees.

Studies shed some light on what makes these people tick. In a Bentley University survey, 84 percent of millennials said that making a positive difference in the world is more important than professional recognition.

Younger generations aren't interested in trading hours for dollars. They want to be part of something big, part of a purpose. The businesses that tie job responsibilities to an overall purpose and a bigger vision get incredible results from these generations – and also from the rest of their employees.

World-class experience brands do something different from everyone else. They build, encourage, recognize, and give the resources that allow their employees to constantly go above and beyond, which is why they end up having significantly higher employee fulfillment.

Also, the ability to go above and beyond for customers and coworkers allows employees to put their fingerprints on the experience. This fosters creative autonomy, allowing employees to come up with their own ideas, to think creatively, to exercise their brains in a new way, giving them a sense of ownership in the experience they provide. Employees are more connected to the experience they are providing when they feel they have a hand in creating it. That is how the power of purpose benefits employees and in turn also benefits customers.

It is time to create businesses with purpose, businesses that drive humanity-centric innovation. It's time that we stop working for business and business starts working for us. The

coming chapters take a deeper look at how great leaders incorporate the power of purpose in their managerial style.

Chapter 4: Creating a Recruitment Experience.

So many businesses appear desperate when they are understaffed, making them less attractive to top talent. Most companies hire reactively, racing to fill openings caused by either turnover or growth. This means that hiring occurs after the company experiences the need to fill a certain position and not strategically before. As a result, hiring standards could become compromised or lowered.

Too many companies are pushed by a need to fill positions quickly. They keep employees who have bad attitudes or who aren't a good fit simply because the organization is dealing with a staff shortage. That can be a tremendous strategic problem, bound to have long-term consequences. The age-old proverb "one bad apple spoils the barrel" serves as a perfect metaphor for workplace culture and how it's impacted by bad employees.

Instead of trying to fill gaps quickly, companies should shift their recruitment practices. The new focus will have to be on keeping top talent by improving business culture.

Building a world-class culture, however, isn't just about finding the best performers. Removing poor ones will also play a major role. A great workplace for high performers is one in which they're surrounded by other high performers.

When looking for new employees, it's essential to not only look for people who fit your corporate culture. New employees should also enhance it. To achieve those goals, you have to create a world-class recruiting experience (RX).

A great RX isn't solely focused on a great offer and the best compensation a potential employee will ever get. Pay is important but other factors are also at play here:

- The provision of career growth opportunities
- Work flexibility
- Workplace culture
- Availability of both hard and soft benefits
- Autonomy
- Mission and purpose
- Effective leadership

How do you present all these benefits during the RX? The key here is starting the recruiting experience long before the interview itself. What people see on your website, on your social media, and throughout reviews written by former employees matters. Everything a potential employee sees and hears before an interview should make overwhelmingly obvious what your brand stands for.

Also, the number one thing that will increase a candidate's interest in your career opportunity is educating them on how hard it is to get hired. The top employee experience brands articulate that they are not for everyone, nor do they want to be.

So, the things you should be doing when shaping the perfect RX include:

- Don't offer a job, offer a career
- Help them see your vision of what their short-term and long-term future could look like within the organization
- Articulate your culture and mission in a way that narrows down the talent pool
- Make sure candidates go through multiple interviews
- Choose questions that can't be rehearsed for
- Get candidates talking openly and honestly (your demeanor and the line of questions will matter)
- Once people feel at ease, start asking the real challenging questions
- Schedule an observation day for candidates as a part of the RX

Finally, remember to "hire for the soul, train for the role." When great brands look for great employees, they place a higher value on their will versus their skill. If they have the will, they can teach them the skill. If you want happy employees, only hire happy people. Be picky; hold out for people who ooze enthusiasm and positivity. Negative people are like a virus that spreads quickly.

What happens when you hire amazing people is that they are disappointed when they have to work with mediocre people. Remember that every time you hire someone, your culture gets either better or worse.

Chapter 5: Creating an Employee Onboarding Experience

The onboarding process should be a celebration. Its main focus: how to have an amazing career within an amazing company.

The onboarding process should be a celebration. Its main focus: how to have an amazing career within an amazing company.

Studies suggest that 88 percent of new employees are disappointed in their organization's onboarding process. This can lead to a phenomenon called hire's remorse.

Transitions are key. This is why you have to start onboarding before the new hire begins. Begin at least a week before your new hire's start date. Provide a functioning work station along with login credentials and all the tools needed to do the job. Being prepared this way makes a great first impression and also ensures a seamless transition.

Making new employees feel welcome could be as easy as sending a before-the-start-date email. Mention specific information you recall from the interview and share your enthusiasm about them starting the job. This kind of quick note will get new employees focused and looking forward to what they're about to experience in the new company.

Other parts of a great onboarding experience include:

- A welcome gift: making it personalized will score you bonus points and demonstrate your knowledge of someone new who's about to become a part of the team.
- Provide orientation opportunities: during periods of orientation, people are particularly susceptible to adopting new roles, goals, and values. Make the orientation process emotionally compelling and emphasize the mission and the company values.
- Deliver ongoing support during the first 90 days: this is the most critical period for a new employee. It will dictate their level of satisfaction within the organization and help them determine whether the right employment choice has been made. Check-ins on the 15th, 30th, 60th and 90th day to assess both performance and satisfaction.
- Get other employees involved: something as simple as a buddy program gives new recruits "veteran" assistance and a one-on-one chance to understand the organization and its culture better.
- Create a positive and warm environment: establish a world-class company culture through communication, education, and complete transparency.

Chapter 6: Creating an Employee Experience That Retains Them

Let's revisit one of the most important theories the book is based on: Great companies help people live extraordinary lives. Their leaders inspire employees to build lives of meaning and purpose.

So, how do organizations become not only the best professional decision employees have ever made, but one of the best decisions they ever made in their entire life, personally and professionally?

The perfect employee experience that keeps top talent committed to a company depends on:

- Making sure employees are always learning and evolving in their craft
- Recognize accomplishments: 63 percent of employees who are recognized regularly wouldn't consider looking for a new job
- Make sure recognition is available to everyone, regardless of their position, title, or time with the company
- Maintain a positive attitude and gratefulness as a leader
- Encourage others to outperform themselves consistently
- Invests in relationships and building emotional connections
- Know about your employees' FORD (family, occupation, recreation, and dreams)
- Harness all opportunities and platforms (including digital ones) to encourage positive and meaningful conversations
- Maintain all communication and messaging authentic
- Invest in employee well-being

Also don't forget the importance of fun in the workplace. It can foster more positive attitudes, help teams become more cohesive, and assist people in dealing with or recovering from stressful work experiences, while also developing stronger relationships.

Fun isn't just for employees. Workers are more likely to partake in festivities if they see their leaders involved. This helps humanize the leader and allows for a connection away from the boss/employee scenario. Now more than ever we need to find reasons to get together – little outings, celebrations, potluck lunches, holiday parties, happy hour get-togethers, a night at the ball game, or a community fundraiser.

For your team members to be at their best, it goes without saying that you, the leader, need to be at your best. Help employees reach their full potential. Demonstrating that as a leader you care about team members as human beings is what will separate you and make your company legendary in their mind.

Chapter 7: Tearing Down Silos by Building Collaboration Across Departments

Any time a client goes from dealing with one team member or department to another is when things can go wrong. A prospect usually bonds with the team member they initially start communicating with. Once they become a client, they'll be transferred to another team member. The communication will start from scratch and any issue or misunderstanding could lead to a loss of trust.

When focusing on creating an internal experience between team members across departments, our six goals are to:

- Remove silos, and train compassion and empathy
- Clarify handoffs between departments
- Identify customer segments, and define how your work impacts others
- Understand all your internal customers
- Improve communication within departments, locations, and other teams
- Create and improve training

Chapter 8: Building and Developing Great Leaders

New research suggests that an incredible 82 percent of bosses are “accidental managers.” This means many of the people promoted to managerial positions are all title and no training. The scariest finding is that 25 percent of those managers are in senior leadership roles.

Employees who say their manager is ineffective feel less satisfied, valued, and motivated in their job than those who describe their manager as effective. Not surprisingly, 50 percent of surveyed employees who are unhappy with their manager say they are planning to quit within the next year.

Building and developing great leaders is one of the keys to happy, fulfilled employees. Establishing a great culture and leading the employee experience revolution starts with developing great leaders, making your existing ones better, and creating a pipeline of emerging talent who can be the next generation of leaders within the company.

Emerging leaders are team members who not only perform their jobs well, but also demonstrate potential for growth and leadership beyond their current roles. Qualities for identifying emerging leaders include:

- Overall job performance
- Showing leadership tendencies
- A commitment to innovation
- Adaptability
- Great communication
- Collaboration
- Taking ownership of roles and responsibilities

Once an emerging leader has been identified, you will have to find ways to get them active within the organization outside of just their current role. One good way is to invite them to join a project steering committee where they can interact with leaders, oversee timeliness, and communicate progress. In other words, do not go out looking for great talent; become a great talent magnet.

When you establish a world-class brand, you wouldn't have to work hard at finding great talent and outstanding leaders. Great talent will find you. Quality attracts quality, and quality has a community impact. Those who wouldn't want to be held to a higher standard will simply refrain from seeking opportunities within a world-class brand.

Chick-fil-A is one example of a brand that places tremendous importance on selecting amazing leaders. One of their primary decision filters for making informed decisions when selecting the best leaders is asking the following: “Is this someone who cares about others and will pour genuine love and care into the team? And is this someone I would want my child to work for?”

When the core team of leaders consists of these kinds of people, great talent gets interested. So many companies view recruiting and talent as if it's just "throw out the line and drag in the fish;" however, better yet, what if that fish wants to jump into the boat? Magnets attract, and when you start with a quality core of leaders, quality is reeled in.

Chapter 9: Leaving a Leadership Legacy

Great leaders are great visionaries. They never accept the status quo. They are contrarians by nature. They are constantly trying to reimagine a better way.

Emerging leaders need to be taught what success looks like. It starts with having great leaders modeling the behavior. But it's also important to remember that leadership is easy when the wind is out back, but much harder when we are facing into the headwinds. In other words, crises define leadership. Tough times don't build character; they reveal it. Some of the best leaders work really well when they're facing hardship, when they're being challenged.

Tough times create tougher teams, as long as a leader is willing to step up. Excellent communication, bringing good answers to bad circumstances will be vital. Pull out your mission, purpose, core values, and customer experience action statements. Talk about what they mean during challenging times. Great leaders have the ability to communicate with a purpose, rallying and building a community around a clear vision.

Passing down knowledge will also be the key to creating a next generation of leaders who share the same vision.

Be mindful of your energy levels and what you bring to the workspace every day. It is about how you show up, what kind of energy you bring to others. Ask yourself if you're an energy giver or an energy sucker. Just because you high-fived someone this week doesn't make you a full-time energy giver. You have to do it consistently. It has to be a conscious decision and an intentional choice.

A few other great tips to help you inspire and model the leadership style that inspires others include:

- Set the right kinds of expectations for team members
- Always encourage and pat people on the back
- Don't be afraid of showing vulnerability

- Focus on having an extraordinary life – amazingness will have an immense impact on others
- Go where no other team has gone before – always choose greatness
- Be fascinated by the future and always seek change

Conclusion

Passion is the emotional fuel that drives your vision. It's what you hold on to when your ideas are challenged and people turn you down, when you are rejected by so-called "experts" and the people closest to you.

It's the fuel that keeps you going when there is no outside validation for your dreams.

First, you need to believe in yourself. Don't waiver. There will be people who don't think like you do, don't have your vision, who cannot comprehend the future you see.

You are a revolutionary if you're restless for change, impatient for progress, and deeply dissatisfied with the status quo. As a revolutionary, you are never satisfied with the present, because in your head you can see a better future and the friction between what is and what could be burns you, stirs you, propels you forward.

Welcome to the employee experience revolution!

To sum it all up – great companies help people live extraordinary lives. Their leaders inspire employees to build lives of meaning and purpose.



John DiJulius III is the founder and chief revolution officer of The DiJulius Group and has worked with companies helping them make the experience they deliver their single biggest competitive advantage.

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· Book 33 of 46 ·

The Enduring Impact

Kris Erickson

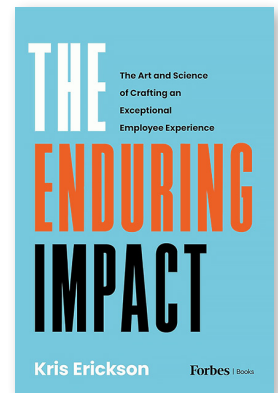


Executive Book Summaries®

The Enduring Impact

The Art and Science of Crafting an Exceptional Employee Experience

by **Kris Erickson**



Contents

The Art and Science of Exceptional Experiences

Page 2

Trust

Page 3

Mission

Page 4

Communication

Page 5

Appreciation

Page 6

Support

Page 7

The Enduring Impact

Page 8

THE SUMMARY IN BRIEF

Many organizations struggle to attract, engage, and retain talent in a workplace where employees expect more than compensation and benefits. Leaders often invest in programs and perks, yet still face disengagement, turnover, and cultures that feel transactional rather than purposeful. The challenge is not effort but focus: too many initiatives address symptoms instead of the underlying experiences that shape how employees feel, perform, and commit over time.

The Enduring Impact: The Art and Science of Crafting an Exceptional Employee Experience offers a practical, evidence-based way to address this problem by reframing employee experience as a strategic discipline. The book provides leaders with a clear framework for designing everyday workplace experiences that foster trust, purpose, and sustained engagement. Rather than relying on incentives, it shows how to turn employee feedback into actionable insight, align individual roles with organizational mission, and create consistent moments that reinforce fulfillment and performance.

Written by Kris Erickson, cofounder of Workforce Science Associates, the book draws on more than 30 years of research and one of the world's largest employee feedback databases. Erickson introduces the six tenets as a blueprint for building cultures where people thrive. Blending data, real-world examples, and practical guidance, *The Enduring Impact* positions employee experience as a measurable driver of long-term organizational success.

IN THIS EXECUTIVE BOOK SUMMARY

- Learn how to design employee experiences that drive engagement and retention
- Understand how the six tenets translate research into daily leadership practices
- Find out how to align purpose, culture, and performance across teams
- Examine how fulfillment-driven leadership strengthens long-term business outcomes

Introduction

As the modern workforce evolves, employees are searching for more than just a paycheck. They are looking for purpose, fulfillment, and a connection to something larger than themselves. For leaders, this shift presents both a challenge and a tremendous opportunity: How do you create an experience that not only attracts top talent but also retains and engages them for the long term?

Each year, Workforce Science Associates (WSA), a consulting firm built on one of the world's largest databases of employee survey responses, analyzes feedback from tens of millions of employees across nearly two hundred countries and every major industry. This vast collection of data provides unparalleled insight into the ever-changing landscape of work and what employees truly value.

At the heart of it all is the concept of fulfillment: the idea that true engagement stems not from short-term perks or surface-level initiatives but from creating environments where employees experience lasting satisfaction and purpose. Enduring fulfillment is about aligning organizational goals with the personal aspirations of employees, fostering a workplace where people can develop and thrive, not just as professionals but as individuals.

WSA's Six Tenets of the Employee Experience

WSA's six tenets of the employee experience represent the essential elements that, when managed effectively, lead to a workforce that is not only productive but also deeply engaged and fulfilled. The six tenets are as follows:

1. **Trust:** This is the foundation of any strong relationship. Trust between employees and leadership is the bedrock of engagement.
2. **Mission:** Employees need to feel connected to the organization's purpose and direction. When they understand their role in the larger mission, their work becomes more meaningful.
3. **Communication:** Open, honest, and two-way communication ensures that employees are informed, heard, and aligned with the organization's goals.
4. **Appreciation:** Acknowledging and celebrating employees' contributions makes them feel valued and respected within the organization.
5. **Support:** Feeling supported helps employees feel connected to their peers and the organization as a whole, fostering a collaborative and supportive environment.
6. **Growth:** Providing employees with opportunities to learn, grow, and advance is crucial for maintaining their engagement and motivation.

By focusing on the six tenets of the employee experience, leaders will learn how to build workplaces where trust is strong, communication is open, and everyone feels valued and connected to a larger mission.

CHAPTER 1

The Art and Science of Exceptional Experiences

It's safe to assume we all know and have felt what an exceptional experience looks like. And when it happens, the emotional response is a spark that connects you to a brand, driving repeat business over time. As leaders, regardless of the industry you're in, you want employees to create a memorable experience for your customers. The question is how you can replicate experiences like these consistently and at scale.

Creating positive customer experiences must come from the employees themselves. In other words, it is not the experience that you want to replicate at scale; rather, it is the desire in each of your employees to create them.

The root of positive intent and motivation by employees is a concept called *employee engagement*, which is the most empirically researched employee attitude in the field of industrial-organizational psychology and business management. Engagement essentially translates to capturing the heart of the employee. Broadly defined, it's the way in which leaders motivate employees to be more committed, conscientious, and proud of the organization they work for.

Boosting Engagement

As a concept grounded in science and research, engagement is a composite measure of satisfaction, intent to stay, advocacy, and pride in the organization.

If you can get the critical aspects of their overall experience at work right, you will be rewarded with higher levels of engagement. That's why it is so important for you to understand what is truly important to employees versus all the merely interesting data that often surfaces in employee feedback.

If you're focused on issues that are unimportant, three things tend to happen:

- Your employees are more than likely going to stop giving you feedback.

True engagement stems not from short-term perks or surface-level initiatives but from creating environments where employees experience lasting satisfaction and purpose. ”

- They will be convinced you don't care enough to listen to what they have to say.
- Supervisors and managers become frustrated because they are spending their time attempting to improve their employees' experience, yet engagement doesn't change, or worse, their experience declines.

Improving the employee experience starts by doing the things you know you can do right and well. If you do that, you earn the right to continue to ask for feedback from employees.

Employee engagement has a direct impact on many critical operational and financial employee and business-level metrics within an organization, especially those resulting from organizational efficiencies impacting gross profit margin, earnings before interest, tax, depreciation, and amortization (EBITDA), and normalized income.

What we know is that lesser-engaged employees just work less safely. They work less accurately. They're more likely to "phone it in," and the consequences are usually measurable.

The Science of Exceptional Experiences

While art is about knowing *how* to create a great experience, science is about knowing *what* the experience should be. Our research has taught us that no matter where in the world you sit, no matter what industry you work in, and no matter your job role, there are six foundational experiences that continually emerge across organizations that have a substantial impact on the employer-employee relationship.

We refer to these six aspects of employee experience as tenets because they are timeless truths that have revealed themselves repeatedly over decades of research. These six tenets hold the core principles to unlocking an exceptional employee experience.

Ultimately, what matters most throughout our lives are the collections of experiences we have and the feelings their memories give us. These experiences matter. They follow us home after work. They stay with us. For anyone with a role to play in improving the employee experience, we are fortunate to have an opportunity to not only inspire great work but also, when done exceptionally, provide fulfillment that can endure a lifetime.

CHAPTER 2

Trust

Of course, leaders play a role in all experiences. But trust is an experience that cannot be created or given; it must be earned, which means that trust is an outcome measure. The very best leaders demonstrate competence, benevolence, and integrity. In doing so, they earn our trust.

Trust plays a key role in employee motivation and commitment. In an environment where trust is prevalent, employees feel a sense of security and belonging. This feeling translates into higher levels of motivation, greater commitment to the organization, and employees' willingness to go above and beyond in their respective roles.

By the Numbers

- Employees who have confidence in their senior leaders' decisions are twelve times more inclined to fully trust them than those who don't.
- 88% of employees who believe senior leaders act in line with company values trust them and are fourteen times more likely to be fully engaged.
- Those who believe senior leadership shows that employees are key to the company's success are fifteen times more likely to be engaged.

Building Trust

Building trust is a delicate process. The most prevalent and empirically supported model of trust is composed of ability (i.e., competence), benevolence, and integrity.

Competence

Competence is achieved through accountability and consistency. Leaders must take responsibility for failures as well as successes. This accountability fosters a culture in which team members feel safe to take risks, make mistakes, and learn from them, knowing that their leader will support them through the process.

Benevolence

Benevolence is about empathy and caring. It's about acknowledging the challenges faced by employees, both in and

out of the workplace, and providing support or flexibility when needed. Recognizing that each employee has a unique set of circumstances and needs is key in fostering a trusting and supportive work environment.

Integrity

Integrity begins with transparency. Transparency in leadership is not a one-way street; it involves being receptive to feedback and ideas from the team. It means creating an environment with open dialogue, where team members feel comfortable sharing their thoughts and opinions. Integrity also requires authenticity. Authenticity creates a foundation from which trust can flourish. It involves being transparent about the challenges and successes of the organization and being open about our own vulnerabilities and learning experiences.

Challenges to Overcome

The thing with trust is that it takes a long time to earn but just a second to lose. Once lost, rebuilding that trust can feel like an insurmountable task. Trust and communication are always important, but even more so in the face of events that question the foundation of trust: those moments that test not only a company's resilience but also its very soul.

CHAPTER 3

Mission

As leaders, one of our key responsibilities is to recognize and nurture the north star, the purpose behind the work, in our teams. This requires fostering an environment where employees feel safe to take risks and voice their opinions, so that they may grow from their experiences.

It also means being attuned to the individual journeys of our employees, understanding their motivations, and helping them align their personal visions with the company's goals. This alignment is crucial in building a workforce that is not only skilled and efficient but also resilient and adaptable.

This sense of mission, of being part of something bigger than ourselves, is a fundamental component of the employee experience. It drives engagement, productivity, and, ultimately, fulfillment both within and beyond the workplace.

By the Numbers

- Employees who believe their company has an outstanding future are twenty-five times more likely to be engaged, while those who lack that confidence are a staggering seventy-five times more likely to be disengaged.

- 76% of engaged employees say their leadership team communicates a motivating vision of the future, while only 24% of engaged employees do not believe they do.
- 89% of employees who see a link between their work and the company's vision are fully engaged and are thirteen times more likely to be engaged.

Instilling a Sense of Mission

The need for an organizational mission is driven, first and foremost, by the fact that people want to work for a cause, not a company.

Most people want to be excited about where they work and the direction of the organization. After all, the future of the organization is their future—at least, it could be. A lot of times, senior executives believe that simply talking about the corporate strategy is enough for people. But what employees really want to know is *why*.

We call this strategic alignment, which is an important component of mission. Strategic alignment is like a jigsaw puzzle. When it's understood, senior leaders can paint a picture of what the future looks like for the organization. Every single employee can pick up a puzzle piece and say, "This is me, and I know where I fit" and at the same time see how their piece is essential to the beautiful picture of the completed puzzle. When everyone is able to help put the puzzle together, everyone sees the picture clearly.

The Role of Senior Leaders

Senior leaders often grapple with the challenge of effectively communicating the company's direction and purpose. Strategic alignment isn't just about setting goals; it's about creating an aspirational yet achievable picture of what an organization strives to become.

Creating strategic alignment requires a delicate balance between aspiration and realism. Employees are smart; they can detect when a vision is authentic and when it's merely lip service. An authentic vision resonates with the values and beliefs of the organization and its people. It's ambitious but grounded in reality.

Challenges to Overcome

Inspiring a mission is not without its challenges. There are often difficulties in achieving consensus on the vision. Different departments and stakeholders sometimes have conflicting priorities and agendas, making it hard to present a unified front.

The very best leaders demonstrate competence, benevolence, and integrity—and in doing so, they earn our trust.

”

Moreover, in companies that are either publicly traded or beholden to private equity, the pressure to meet financial objectives can sometimes overshadow the broader vision. This can lead to a short-sighted approach, where the focus is on immediate results rather than long-term, sustainable growth.

Leaders must be adept at navigating the diverse personalities and skill sets within their teams, ensuring that each member is engaged and contributing effectively. This often involves tailoring communication and management styles to suit different individuals, a skill that is crucial yet challenging to master.

CHAPTER 4

Communication

It's not just *what* we communicate but *how* we communicate that shapes the employees' experience. Time and again, feedback from our employee surveys reveals that teams with high levels of engagement maintain open and honest communication. These teams don't just exchange information; they share ideas, challenges, and successes.

Effective communication extends beyond just the positives. Handling difficult conversations with empathy and respect is equally important. Whether it's addressing performance issues, organizational changes, or personal challenges, how these conversations are handled matters.

By the Numbers

- Employees who feel their company supports open and honest two-way communication are sixteen times more likely to be fully engaged—92% of those who sense this openness report high engagement levels.
- Employees who feel that their ideas and suggestions count are eleven times more likely to be engaged than those who don't.
- Those who say they receive the information they need to do their jobs effectively are nine times more likely to be engaged than those who do not, while those who say they do not receive the information they need to do their jobs effectively are eighteen times more likely to be disengaged.

Communicating Effectively

The art of communication is indeed a balancing act. On the one hand, there are essential components to effective communication that never change. And on the other hand, communicating effectively requires personalization.

Personalized communication is something that you have to practice. Who is your audience? How are they going to receive the information? Each of us has our own style and unique ways of processing information. Acknowledging and catering to these individual needs will not only improve communication but also deepen your connections.

Personalization also plays a significant role in navigating difficult conversations, such as providing constructive feedback or discussing sensitive issues. During these vulnerable moments, approaching the conversation with a deep understanding of the individual, their feelings, potential reactions, and the best way to convey the message, can have a significant impact on the outcome.

The Five Rules of Communication

The reason communication is so tricky is that, while your approach must be individualized, there are some ground rules that should never be broken.

1. **Clarity and honesty.** In a crisis, people look to their leaders for direction and truth. Even when the news is not positive, clear and honest communication helps in building trust and setting realistic expectations.
2. **Timeliness.** Information can change rapidly. Delayed communication can lead to rumors and misinformation, exacerbating a situation. Quick and frequent updates, even to merely convey that more information will follow, are crucial in managing the narrative and keeping everyone aligned.
3. **Empathy.** Acknowledging fears and concerns, offering support, and being available for questions and discussions can go a long way. And as we prioritize empathy in our professional communications, it can become a skill ingrained in our behavior, positively impacting our interactions outside of work with family, friends, and even strangers.

4. **Consistency.** Mixed messages can create confusion and erode trust. Consistent messaging ensures that all leaders and managers within the organization are on the same page and is vital for effective communication.
5. **Listening.** Let's not forget the often overlooked skill of active listening. Active listening isn't just hearing what is being said but also requires a conscious effort to understand the underlying message and the emotions attached to it. Active and attentive listening helps ensure that communication is not just a transaction but a meaningful exchange.

Challenges to Overcome

Establishing open and honest two-way communication isn't without its challenges. Research has found that an alarming four out of five Americans are stressed by poor office communication and that 17% of employees would recommend firing their CEO based on how the company communicates.

In a world where technology has made communication faster and more accessible, finding ways to connect personally and deeply can be tough. The meaning behind emails and texts can easily be lost in translation. It takes a concerted effort to ensure that communication retains its human touch, irrespective of the medium.

You may need to rethink your communication strategies, embrace technology, and find new ways to foster connection and engagement. As you move forward, remember that effective communication is not just about the message or the medium; it's about personalization, clarity, timeliness, empathy, consistency, and, above all else, being a really good and empathetic listener.

CHAPTER 5

Appreciation

I use the term appreciation, not recognition, as the concept of recognition is too broad. For example, when people hear "recognition," they sometimes think of years of service awards, the gold watch, or similar milestones. These are important, but they are not the crux of what drives a positive employee experience. Our experience surveys at WSA show that what truly drives appreciation is the feeling of being valued for the work you do and for who you are as a person.

This doesn't mean ignoring problems, especially in environments where safety and precision are crucial. However, focusing on positive reinforcement can lead to better results.

When people see that their good work is noticed and appreciated, they are more likely to continue performing well and even improve.

By the Numbers

- 88% of employees who feel recognized for their hard work report being fully engaged at work. Employees who feel appreciated for their efforts are ten times more likely to be fully engaged than those who don't receive recognition.

Showing Appreciation

Showing appreciation is about individualization. It's about the relationship I have with each person who directly reports to me. It's about making them feel valued, both for their contributions and as individuals. One size does not fit all. You can voice appreciation all day long, but if the appreciation given is not relevant or appropriate to the person receiving it, the words fall flat and can actually be counterproductive.

Appreciation is most effective when it's simple and personal. This might seem counterintuitive in a world where big gestures often get the most attention, but it's the small, sincere acts that can make a profound impact. Timing is also crucial when it comes to appreciation. Positive reinforcement is most effective when it's immediate and specific.

Effective appreciation is about being personal, consistent, and timely. It's not about the size of the gesture but the sincerity behind it. By understanding and implementing these fundamentals, leaders can foster a workplace where employees feel genuinely valued and motivated. This leads to higher engagement, better performance, and ultimately a more successful and fulfilling work environment.

Challenges to Overcome

Appreciation isn't always straightforward. There are pitfalls to avoid and challenges to navigate.

When we don't make the effort to appreciate our employees, especially during significant periods in their lives, it can have unintended consequences and deeply personal. It's not just about the immediate inconvenience or hurt feelings; it's about the message it sends.

While pay and benefits are not primary motivators, they can become a major demotivator when the pay is inequitable or too low to make a living. In either case, it is critical to separate pay from appreciation; they are not the same thing.

People want to work for a cause, not just a company.

”

CHAPTER 6

Support

Support is a fundamental and universal human need, deeply embedded in our social DNA. Understanding support in the context of the workplace is essential for creating environments where employees thrive, innovate, and contribute to their fullest potential.

Employees know they are supported when they feel accepted and valued, when they know they have a voice, and when they can see that their contributions matter.

By the Numbers

- Employees who feel part of a team are seven times more likely to be engaged compared to those who don't. Furthermore, 77% of employees who feel isolated from a team environment report low engagement levels.

Demonstrating Support

Creating a system of support can be achieved by implementing practical actions that allow every team member to feel integral to the organization. Let's distill this process into four key steps that not only enhance individual fulfillment but also drive the collective success of a team.

- **Acceptance:** Ensure that every person on the team is embraced with open arms and feels welcome and part of the group.
- **Appreciation:** In this context, “appreciation” means valuing each person for who they are and what they bring to the table and recognizing both their strengths and their limitations without trying to change them.
- **Contribution:** Encouraging employees to play to their strengths and find their “sweet spot” leads to a multiplicative effect on the team's performance. This means actively seeking out and creating opportunities for team members to shine in areas where they excel.
- **Fulfillment:** Individuals gain fulfillment when they know they are making a meaningful difference. It's the sense of satisfaction that arises from being part of something bigger than oneself.

It is important to note that creating an environment of mutual support is much harder in practice than it is in theory. Employees often find themselves interacting with coworkers they might not ever meet or get to know outside of work. While we benefit from the power of diverse thinking and perspectives, don't expect it will simply happen naturally.

Purposeful mutual support starts at the top, with senior leadership demonstrating the behaviors of acceptance, appreciation, and contribution. One of the best ways to reinforce these behaviors is to look for others who are modeling them and celebrate those individuals.

Challenges to Overcome

Fostering a sense of support can be exceptionally challenging. Despite the best efforts, 40% of people still say that they feel isolated at work.

One common challenge is overcoming unconscious biases that affect our understanding of other people. Our perceptions, and the lens through which we see the world, are based on our experiences. For some, it can be hard to look through a new lens in order to understand a different perspective.

Resistance to change can come from various levels within the organization, from leadership to frontline employees. Overcoming this resistance requires modeling the right behavior combined with clear communication, as described earlier.

CHAPTER 7

Growth

Growth and development are often used interchangeably, but they encompass different yet complementary aspects of personal and professional advancement. Growth is about increasing one's capacity and capability, often tied to acquiring new skills, knowledge, and experiences. Development is about evolving and maturing as a person, which includes honing one's strengths, gaining deeper self-awareness, and expanding one's potential. Together, they form the bedrock of a fulfilling and successful career.

When we think about growth, we often picture a linear trajectory: starting at one point and steadily moving upward.

However, real growth is often far more complex. It can be lateral or diagonal, and it may even take a step back before moving forward. True growth ultimately happens when we step outside of our comfort zone, take on new challenges, and learn from our experiences.

Development, in contrast, is more introspective. It involves a deep understanding of our strengths and weaknesses, our motivations, and our values. It's about becoming more self-aware and using that awareness to guide our decisions and actions.

By the Numbers

- 92% of employees who believe their career goals can be met are fully engaged and are eighteen times more likely to be engaged than those who don't believe their career goals can be met.

Fostering Growth and Development

In today's fast-paced business environment, companies that prioritize growth and development stand a better chance of thriving. This requires a fundamental shift in how managers view their employees and their potential. Rather than merely filling positions with individuals who can perform specific tasks, managers must focus on promoting, recruiting, and hiring individuals who demonstrate a strong work ethic and a desire to grow.

A practical way to uncover your employees' aspirations and strengths is through frequent feedback and check-ins. These check-ins don't have to be formal or time-consuming. Sometimes, a quick five-minute conversation can provide valuable insights and guidance.

Furthermore, managers should leverage these conversations to celebrate achievements, no matter how small they are. Recognizing and acknowledging progress boosts morale and motivates employees to continue striving for excellence.

Another practical but commonly overlooked approach is to involve your employees in conversations about their growth. Employee-driven development is an essential component of growth whereby employees are involved in mapping their own developmental journey.

Challenges to Overcome

Fostering individualized growth is a multifaceted endeavor that often presents challenges. However, with a commitment to creating a supportive environment, these challenges can be effectively addressed.

One of the most common challenges is resistance among those around you. Some of your peers or leaders might be accustomed to a particular way of doing things and push back against necessary new initiatives aimed at promoting individualized growth and development. This resistance can stem from complacency, a lack of understanding of the benefits, or from the traditional mindset of "This is how we've always done things."

Resource limitations are also cited as a challenge to providing growth and development opportunities. This perceived obstacle is especially challenging in smaller organizations that lack larger HR departments with teams focused on learning and development and internal mobility.

Generational differences also pose unique challenges. If your team ranges from millennials to boomers, their aspirations and even their own definitions of growth and development can vary widely.

The key to addressing these challenges is to remember that fostering growth is not an HR responsibility or a senior leadership responsibility; it's *your* responsibility. You'll be surprised how effective modeling growth behaviors can be. Follow the practical steps of regular check-ins, involving employees in the mapping of their own growth journey, and celebrating the small wins by recognizing efforts toward personal and professional growth.

CONCLUSION

The Enduring Impact

Employee experience requires more than measuring engagement or job performance; it's the intentional practice of creating an environment where employees can thrive both professionally and personally.

In reflecting on the enduring impact of our work, it's essential to recognize that fulfillment at work transcends the confines of the office and influences the quality of life beyond it. When employees find genuine fulfillment in their work, it positively impacts their personal lives, their families, their friends, and their communities.

Each of the six tenets of enduring experiences contributes to a holistic approach that impacts the employee experience, one that not only drives measurable business success but also offers enduring fulfillment for our employees. By focusing on these core tenets, organizations can create workplaces where employees are motivated, engaged, and deeply inspired to do their best work.

I hope to have given you proven, practical actions to guide you in orchestrating experiences that create enduring fulfillment in the lives of those with whom you work and live. You have the power to make these experiences meaningful, impactful, and consequential. Strive to create environments where everyone has the opportunity to thrive, grow, and find true fulfillment. In doing so, you will not only drive success for your organization but also have a meaningful impact in the lives of those around you.

The power of the six experiences truly has the opportunity to change the trajectory of people's lives, including yours. Thank you for joining me on this journey. Here's to creating workplaces where everyone can experience the profound joy and satisfaction that comes from truly fulfilling work.



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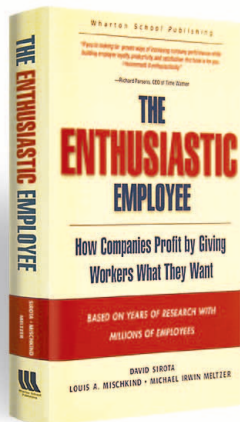
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· Book 34 of 46 ·

The Enthusiastic Employee

David Sirota, Louis A. Mischkind and Michael Irwin Meltzer

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FILE: PERSONNEL/
HUMAN RELATIONS

How Companies Profit by Giving Workers What They Want

THE ENTHUSIASTIC EMPLOYEE

By David Sirota,
Louis A. Mischkind
and Michael Irwin Meltzer

CONTENTS

Worker Motivation, Morale And Performance

Pages 2, 3

What Workers Want: The Big Picture

Page 3

Employee Enthusiasm and Business Success

Page 4

Motivated by Fair Treatment

Pages 4, 5, 6

Motivated by Achievement

Pages 6, 7

A Management Style That Works

Page 7

Motivated by Camaraderie

Pages 7, 8

The Total Organization Culture and How to Change It

Page 8

THE SUMMARY IN BRIEF

Enthusiastic employees outproduce and outperform employees who are not motivated to perform. They step up to do the impossible. They rally each other in tough times. Most people are enthusiastic when they're hired: hopeful, ready to work hard and eager to contribute. What happens to dampen their enthusiasm? Management, that's what.

In this summary, three employee management experts from Sirota Consulting offer 30 years of research and experience to show readers exactly what managers are doing wrong — and what they should do instead.

Drawing on detailed case studies and employee attitude surveys from hundreds of companies, the authors offer research-proven solutions — not fads, nostrums or phony shortcuts. Along the way, they describe a dollars-and-cents business case for high employee morale, explain exactly what employee morale means, and present the specific management practices that offer the greatest positive performance impact.

What You'll Learn In This Summary

- ✓ Techniques that are shown to increase employee performance 30 to 40 percent — and also increase stock performance.
- ✓ Proven solutions and real data that are based on research with more than 2,500,000 employees in 237 companies.
- ✓ How to deliver the three core elements of a healthy workplace: fairness, achievement and camaraderie.
- ✓ Ways to stop your organization's managers from demotivating your employees.
- ✓ How to build a real partnership culture for the long term.

THE ENTHUSIASTIC EMPLOYEE

by David Sirota, Louis A. Mischkind and Michael Irwin Meltzer

— THE COMPLETE SUMMARY

Worker Motivation, Morale And Performance

The impact shook everything for blocks. Fire sucked so much oxygen out of the air around the impact zone that windows in nearby buildings blew out as the towers of the World Trade Center began to wither and then collapse. On the 32nd floor of the World Financial Center, the editorial and business offices of *Barron's Magazine* had been almost instantaneously decimated. Yet, on Sept. 11, 2001, *Barron's* employees had already turned their attention to publishing the next magazine on time. The idea of not publishing never even came up.

Most organizations would love to have employees who display that level of enthusiasm for their jobs, their companies and their co-workers.

Difficult Employees

Managers spend too much time dealing with difficult employees. Some of them think that the problem of dealing with troublesome employees is a drain on human resources. But the reality is even worse, because the biggest problem is the vast number of workers who aren't openly troublesome but who have become indifferent to the organization and its goals. At least the openly troublesome workers can be dealt with, whereas the "walking indifferent" are silent killers. They give a mere fraction of what they are capable of contributing.

The economic cost of this underutilization to the affected business is enormous.

How does a company tackle this kind of problem? It can operate in one of two ways: It can pressure employees to do more or it can treat its workers to a series of rah-rah events, speakers and programs. Neither approach will do much good — in fact, the former will likely exacerbate the problem. We need to get to the root of employee indifference and we need to address it. The real challenge is to turn indifferent workers into enthusiastic workers. ***First, we must understand what workers want. Then, we must give it to them.***

This might sound absurd to some, a sure way to insolvency. On the contrary, it is a powerful path to business success. Here's why:

1. Many years of research have established that

there is little conflict between the goals of management and those of employees. The key question is not how to motivate workers, but how to sustain — and prevent management from destroying — the motivation that employees naturally bring to their jobs.

2. Workers have basic needs that management can and should address. When companies can meet their employees' needs, the result isn't just satisfied employees but enthusiastic employees. Every successful company has to address three crucial factors: equity, achievement and camaraderie.

3. Employee enthusiasm results in enormous competitive advantages for those companies with the strength of leadership to manage for real long-term results.

These points are proven by numerous cases from more than 30 years of survey research into the effect of employee attitudes on organizational effectiveness.

Is Loyalty Dead?

The "loyalty is dead" crowd suggests that new economic conditions have made untenable the previous paternalistic pattern of lifetime careers at caring companies. There will never be a return to old-fashioned paternalistic employment, and paternalism does not need to

(continued on page 3)

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Worker Motivation, Morale and Performance (continued from page 2)

be replaced with a neutral “transactional system” — where workers are nothing more than a paycheck and can be removed at a moment’s notice.

The gains from a transactional relationship are usually temporary, in part because such organizations receive from most of their workers little beyond what is absolutely required and monitored. For example, can a company expect its employees to treat customers with individual care and concern — the care and concern that creates loyal customers — where the employees are treated as invisible, interchangeable and expendable parts? A transactional relationship is therefore often a prescription for short-term success and long-term mediocrity.

Neither a paternalistic nor a transactional relationship is the most effective way to create high levels of long-term organizational performance. The policies and practices in this summary represent a third alternative: *partnership*. The loyalty in a partnership relationship is not the kind that parents and children have toward each other. Instead, it involves the bonds that develop among adults working collaboratively toward common, long-term goals and having a genuine concern for each other’s interests and needs. ■

What Workers Want: The Big Picture

The effectiveness of critical business policies depends on the extent to which our assumptions about human motivation are accurate. If they are not accurate, they either have no impact at all, or worse, they boomerang and damage the organization. Accuracy depends not only on wisdom and experience, but on systematic research. The problem with many theories in this field is not that they have nothing to say, but rather that they focus on one aspiration as the central motivator, claim that most people are frustrated with the achievement of that aspiration, and typically assert that what the theorist has uncovered is a “new generation” of workers.

What People Actually Say About Work

For reasons that are misguided, popular theories of what employees want change continually, and the change is often couched in terms of new generations of workers whose needs and expectations somehow magically differ from their predecessors. Some say there are differences between the “Baby Boomers” and “Gen X.”

Contrary to the variety of unsupported theories about worker attitudes, such as the Gen X and job-enrichment fads, we find that the overall satisfaction of workers

with the type of work that they do is strong and constant over a wide variety of industries and occupations. There is also no evidence that younger workers are more (or less) disenchanted than their elders.

The Three Factor Theory of Human Motivation in the Workplace

There are three primary sets of goals of people at work: equity, achievement and camaraderie. This *Three Factor Theory of Human Motivation in the Workplace* maintains that:

- 1. These three sets of goals are what the overwhelming majority of workers want.**
- 2. No other goals are nearly as important for the vast majority of workers.**
- 3. These goals haven’t changed over time and cut across cultures.**
- 4. When your organization works to achieve these goals, the result will be high work-force morale and firm performance.**

How the Three Factors Work in Combination

The three factors interact with each other in an interesting way. The Three Factor Theory asserts that employees seek to satisfy three needs — equity, achievement and camaraderie — in any employment situation. It further asserts that, when all three needs are met, this results in enthusiasm directed toward accomplishing organizational goals. A great company for employees is one that largely meets all of those three needs. The moral of this story is that it can be difficult to get employees excited about a company that, for example, gives them challenging work to do when they have a basic sense of inequality as to how they are treated.

Human Motivation

The Three Factor Theory provides a positive view of the nature of work. The essentials of human motivation have changed very little over time, but management is acting in a different way and is reaping the consequences. As an example, if you treat workers like disposable commodities, which began to happen with the downsizings of the late ’80s and the ’90s, you should not be surprised that workers are no longer “loyal.” Why should they be? It would be irrational for people to be loyal to organizations that show no interest in them other than as, essentially, temporary “hands” to get the work done.

Nothing is very complicated about this perspective. The performance improvement methods contained in this summary are the “blocking and tackling” of an enlightened management: enlightened in its understanding that what the overwhelming majority of people seek from work doesn’t conflict with management’s objectives and, in fact, usually strongly supports them. If these methods are implemented, the results will be outstanding. ■

Tell Us in Your Own Words

Here's how enthusiastic employees respond when asked to give written comments:

✓ "We are totally committed to our customers. This is the passion of this company from the executive suite to my colleagues on the front line. I know from first-hand experience that customers believe they are the primary focus of our business and greatly appreciate the level of service and attention we provide them."

✓ "The bottom line isn't everything here; employees count, too."

✓ "I mean it. I feel like I've died and gone to heaven here. If things stay this way, I'd like to spend the rest of my working life for this company. You feel like a real person, not just a number."

Employee Enthusiasm and Business Success

What does employee enthusiasm have to do with business success? Many companies have enjoyed long-term success — ranging from *Barron's Magazine* to the Mayo Clinic to Starbucks — and although there is no common industry, geographical area or business model, they share one thing: The morale of their workers, as measured in surveys, is much higher than most other companies. This is one of the key characteristics of almost every company that has experienced long-term success. The high morale of their workers is a result of specific policies and practices that engender enthusiasm in their employees about their jobs and their companies. And, on average, organizations with enthusiastic employees are much higher performing organizations than the rest.

A Few Leading Organizations

For about 20 years, Intuit has led a burgeoning industry of software development and sales in the important area of business and financial management of small organizations, the accounting professions and consumers. Employee enthusiasm is not just a feeling or an attitude: It is a motivated state, impelling people to action. Intuit gives its workers something to achieve, and it is dedicated to fulfilling its promises to employees by tracking how they are doing.

Enthusiastic employees routinely produce significantly more than the job requires, often working all kinds of hours to get things done right; search for ways to improve things rather than just reacting to management's requests; encourage co-workers to high levels of performance; and welcome rather than resist change.

About 16.4 percent of the business units surveyed can be characterized as having highly discontented and perhaps, hostile, work forces. Hostility differs from enthusiasm, but they are both highly motivated states that

impel people into action. Anger is primarily a product of a sense of injustice. Where the motivation of an enthusiastic employee is to do more and go beyond what is called for, the motivation of a hostile employee is to do less and somehow harm the organization.

The People Performance Model

There is a very large and impressive body of work proving that employee enthusiasm translates into stronger business performance. Jeffrey Pfeffer, in his comprehensive review of the research, concludes that companies with enthusiastic employees are 30 to 40 percent more productive. Research shows that companies with high morale performed consistently better than their industry comparison group, according to the stock market.

The best research and thinking in this area developed a model called the People Performance Model, which encompasses all the key variables and the way these variables relate to each other. The research and simple logic suggest that the relationship between morale and performance is reciprocal: Each is both a cause and an effect of the other. It is a system of interlocking, mutually reinforcing factors — a virtuous circle or a vicious circle (if the direction is negative).

Here are the key points of the People Performance Model:

- People and their morale matter tremendously for business success, including customer satisfaction.
- Employee morale is a function of the way an organization is led.
- Success breeds success. The better the individual and organization perform, the greater the employee morale is, which in turn boosts performance.
- The management practices that matter most boost an employee's sense of equity, achievement and camaraderie. ■

Motivated by Fair Treatment

The policies and practices that facilitate employee enthusiasm begin with the concept of *equity* — the degree to which people believe their employer treats them with fundamental fairness. When focusing on the treatment of large groups, equity refers to the collective treatment of workers relative to fundamental and generally accepted societal standards. These standards include a "living wage," adequate nonwage benefits such as medical coverage, sensitivity in handling layoffs, safe working conditions, a reasonable workload and equality of employment opportunity.

Although lifetime employment guarantees are about impossible for just about any organization, if an organization seeks to have enthusiastic workers, it must under-

(continued on page 5)

Motivated by Fair Treatment

(continued from page 4)

stand that those employees are not fungible objects.

Workers often experience layoffs not as prudent business stewardship but rather as base inequitable treatment. Where does this attitude come from? The answer has two parts: the sense of substantive equity (whether the thing itself is fair) and the sense of procedural equity (whether what is done is done fairly). Alan Sloan captured the spirit of a new era in a 1996 *Newsweek* article:

“Firing people has gotten to be trendy in corporate America, in the same way that building new plants and being considered a good corporate citizen gave you bragging rights 25 years ago. Now you fire workers — especially white-collar workers — to make your corporate bones ... Wall Street and Big Business have been in perfect harmony about how in-your-face capitalism is making America great.”

The new management attitude includes ordering layoffs when a company is doing well. In the early 1990s, several large corporations downsized despite being profitable. What message does management convey by these and similar actions? It might be an encouraging message to the investment community, but to workers it is simply this: “Forget all that talk about you being an asset to the company: You are really a cost and a disposable commodity. And we will keep our costs down!”

Loss of Security

People react strongly to loss of security and the lost sense of fair treatment that comes with it in circumstances such as these. The need for people to feel that they are being treated fairly is basic, and nothing is more basic for most people than job security. The impact of people feeling that they are not being treated equitably in this respect can be strongly negative on the organization.

The way many American companies now seem to operate, by essentially using downsizing as a strategic maneuver rather than as a last resort compelled by economic necessity, is largely misguided and self-defeating. It violates a fundamental need of workers and, in doing so, severely damages the sense of equity that’s necessary for effective organizations.

It is equally momentous when a company makes a decision *not* to downsize when other companies in the industry take that path. Such companies exist. The alternative philosophy was articulated by Rubbermaid CEO Wolfgang Schmitt when the growth of his company slowed:

“Sure, we could take out a lot of our people. But we could give up our future. One, we’d demotivate the people who remained. Two, they surely wouldn’t have the loyalty they have now. Three, if there were any good people left, they wouldn’t be here long. They’d be look-

ing around. And uncertainty reduces risk taking.”

The policy represented in that view isn’t just humanitarian — ***it’s the policy that’s best for the business.***

Layoffs are not good for a company in the ordinary course. Although a layoff often results in a short-term spike in a company’s stock price, the impact on the long term can be quite different. ***A mountain of evidence casts doubt on the efficacy of downsizing for many companies as a cost-reduction strategy.*** Research done in the mid ’90s found that downsizing companies outperformed the S&P only slightly during the six months following news of a restructuring, then lagged badly, netting a negative 24 percent by the end of three years. In most companies, downsizing the work force is frequently a short-term solution with little or no long-term benefits.

Lester Thurow of MIT writes, “Layoffs are painful and costly. There are innumerable reasons they should be avoided if possible: Severance payments must be made. Higher training costs lie ahead. The skilled members of the team whom a firm has laid off will not be there to be rehired when times get better. Morale suffers among the remaining workers, and fewer will be willing to make personal sacrifices to help the company while it needs it most.”

Best Policies and Practices

The companies that are genuinely committed to providing their employees with stable employment follow these specific practices:

1. Exhaust all possible alternatives before laying off people.

2. When layoffs cannot be avoided, first ask for volunteers.

3. When layoffs cannot be avoided and there are no more volunteers, act generously and decently. From an organizational standpoint, you’re not doing it just for those who are let go, but for those who will stay.

4. Communicate honestly, fully and regularly throughout the entire process.

5. Recognize the impact of what you’re doing on the survivors, and take steps to minimize the negative impact.

Do not confuse providing employment stability with tolerance for unsatisfactory employee performance. Organizations must distinguish between conditions over which employees have no control — such as a market downturn or the introduction of labor-saving technology — and those where an individual simply chooses not to perform.

Compensation

Although job security is a critical concern of workers, it is also true that compensation is extraordinarily important for worker morale and performance. Don’t

(continued on page 6)

Motivated by Fair Treatment

(continued from page 5)

believe anyone who tells you that money is “way down on the list” of worker goals — that what they really want is “appreciation” (or whatever) and they clamor for money only when those other things are lacking.

There are conditions that distinguish enthusiastic employees from unenthusiastic employees. Pay is vital in that respect, both substantively — it provides the material wherewithal for life — and symbolically — it is a measure of respect, achievement and the equitable distribution of the financial returns of the enterprise.

Research evidence points to four explanations for the relationship between wages and productivity: worker reciprocity and morale, lower turnover, decrease in “shirking,” and a superior pool of job applicants.

Respect

Equality is at the heart of respect — the treatment of each individual as important and unique without regard to any other characteristics, such as gender, race, income or even perceived performance or contribution to the organization.

The core issue is how people with more power or income *treat* those who have less. Management should do its best to eliminate humiliation and indifference to employees. Respect also includes providing safe working conditions. Companies should, as much as possible, work to minimize status distinctions in the organization as well. Finally, companies should do as much as possible to make sure communication is as open as possible within the company. ■

Motivated by Achievement

A critical condition for employee enthusiasm is a clear, credible and inspiring organizational *purpose* that translates for workers into a “reason for being there.” This might seem odd when talking about for-profit enterprises — isn’t the idea simply to make a buck and don’t employees, in turn, understand that and simply want to be paid well? Well, in fact, no. People are not that simple — not in what we want and not in what we expect from the organizations to which we belong and to which we are asked to give our talent and loyalty.

Pride and Satisfaction

Research shows a strong correlation between pride in the organization and the overall satisfaction of workers with that organization. (See sidebar on right.)

People want to work for an organization that does well but also does good. Considerable evidence shows that companies that “do good” show superior long-term performance. The most impressive study done in this area was by Collins and Porras, summarized in their book *Built to Last*. The authors sought to determine the factors that

distinguished the best companies from the merely satisfactory. They referred to the best as “visionary” because among the key distinguishing features of those companies was emphasis on a vision that was “more than profits”:

“Contrary to business school doctrine, we did not find ‘maximizing shareholder wealth’ or ‘profit maximization’ as the dominant driving force or primary objective through the history of most of the visionary companies. They have tended to pursue a cluster of objectives, of which making money is only one — and not necessarily the primary one. Indeed, for many of the visionary companies, business has historically been more than an economic activity, more than just a way to make money.”

Unethical Behavior

At the negative end of the corporate citizenship continuum are companies that engage in clearly unethical behavior. A wealth of evidence shows that behaving in socially irresponsible ways is detrimental to shareholder value. In 1997, one study investigated 27 incidents of unethical or illegal corporate behavior and concluded that such behavior resulted in significant losses of shareholder wealth.

Research shows that business profitability is not simply about making money in the short term, but it is also about building positive and trusting relationships with all major constituencies that promote and sustain long-term profitability. A company should want customers who are willing to go the extra mile to purchase its services, employees who give their all for the organization, suppliers who feel

(continued on page 7)

Four Sources of Employee Pride

There are four main sources of employee pride, all of which reflect different facets of a single attribute — excellence:

- ✓ Excellence in the organization’s financial performance.
- ✓ Excellence in the efficiency with which the work of the organization gets done.
- ✓ Excellence in the characteristics of the organization’s products such as their usefulness, distinctness and quality.
- ✓ Excellence in the organization’s moral character.

The first two of these factors relate to doing well and the latter two relate to doing good. These four aspects of excellence, of course, are interrelated. It is difficult to produce excellent long-term financial results without providing value to customers, or to succeed for long with unethical business practices. But as determinants of pride, each of the four is distinct and important. Thus, the desires of employees that their company act ethically and produce high-quality products are important in and of themselves, not just because ethical behavior and quality are good for business.

Motivated by Achievement

(continued from page 6)

themselves as genuine “partners” with the organization and therefore seek to deliver their best work to the company and in a timely manner, and a community that vigorously supports the company’s legitimate business interests.

People have a strong need to do something that matters and to do it well. At the end of the day, people want to feel that something was accomplished by virtue of their efforts. Workers feel frustrated when they spend their days struggling with faulty equipment or endless meetings. ■

For additional information on moral components in corporate ideologies, go to: <http://my.summary.com>

A Management Style That Works

Autocratic management involves domination of employees, inflexibility and a belief that discipline and punishment are the most effective means to get most workers to work. Laissez faire managers are divorced from their employees and uninvolved in what they do. Both management styles are different, but they are equally effective in demotivating the overwhelming majority of workers. Both place severe obstacles in the way of getting employees’ jobs done.

Research shows that *participative management* is the best way to go. Participative leadership is an active style that stimulates involvement. In an effective, participative organization, no one is in doubt as to who is in charge. But that person expects employees to think, to exercise creative judgment, and not just do. That is the environment in which impediments can be removed and in which employee enthusiasm can flourish.

Performance

Research demonstrates the superiority of participative management for *performance*. And decades of evidence show that the value of participative management is not limited to societies with a long history of democratic institutions.

Central to a discussion of participative management is the matter of “steep” or “flat” organizations. Organizations that workers feel to be excessively bureaucratic are typically steep: There are many layers in the management hierarchy. A flat organization is the opposite — fewer layers exist in the management hierarchy and, generally, a larger number of employees reports to each level.

Companies with records of outstanding long-term performance frequently have extraordinarily flat structures. For example, Nucor Corp. has four management layers (foreman, department head, general manager, chairman) and The Dana Corp., which once had 15 management layers — and was barely profitable — went to five layers and much greater profitability. *The process is circular: Organizations*

with committed and enthusiastic work forces require fewer controls and the fewer those controls, the greater the commitment and enthusiasm.

Perhaps a major reason companies with enthusiastic work forces are more successful is simply that it is so much less costly to manage them.

The Benefits of Self-Managed Teams

A goal of every organization should be to flatten its structure as much as possible, probably to somewhere between five and seven levels for the total organization, and just three levels in any facility. Flat organizations lend themselves to decentralized decision making. The decentralization that allows for effective flattening of an organization — not just head chopping — is best accomplished by establishing self-managed teams (SMTs). The ideal of the SMT is that it can produce the “whole thing” for an identified customer, has clear goals for which it is accountable, contains within it all the skills needed to get the job done, has access to the information and resources it needs to get the job done, and it receives rewards based on team performance.

A major issue for employees is the degree to which their organizations are committed to promoting from within. Companies give several reasons for not promoting from within to higher-paying jobs. However, research overwhelmingly supports the proposition that, on average, organizations that adhere to a promote-from-within policy perform much better than those that do not.

For example, in *Built to Last*, Collins and Porras conclude from their research on higher- versus lower-performing companies that the former “... develop, promote and carefully select managerial talent from inside the company to a greater degree than ... [lower-performing] companies.” In fact, the CEOs of the higher-performing companies were six times more likely to be insiders promoted from within.

It is imperative that the company first seeks all possible internal candidates for an opening. To be effective, programs that identify organizational talent obviously must accompany this policy. ■

Motivated by Camaraderie

People don’t want to come to work to fight. It is important to understand employees’ fundamental desire to work collaboratively — a fundamental goodwill — because it is the basis on which teamwork is built after the layers of suspicion and resentment are removed.

Although employees derive pleasure from associating with others, such as during breaks, their greatest satisfaction comes from interacting as a team on the job in the service of common performance goals. This is a

(continued on page 8)

Motivated by Camaraderie

(continued from page 7)

tremendous source of morale for employees.

Teamwork and Conflict

Teamwork is needed for just about every job at every level. Cooperation — not job descriptions, not organization charts, not formal procedures — is the glue that binds the parts of the organization.

Conflicts differ in how real or psychologically based they are. Approaches to reduce conflict must take this into account. There are two basic strategies:

- **Conflict management.** The parties agree not to fight and to establish mechanisms to help avoid and settle disagreement.

- **Partnership building.** The parties agree to actively collaborate in the achievement of mutual goals.

Conflict management is most appropriate when the conflict stems from a real divergence of interests. Partnership building is appropriate when the root cause is misperceptions. Unless misperceptions are clearly identified and acknowledged, the parties have no chance of becoming allies in a sustained way. The foundation for success is both parties trusting that they share a common goal. ■

The Total Organization Culture and How to Change It

The essence of the system and culture described in this summary is a “partnership” relationship. A partnership has both psychological and economic components — for example, employees’ confidence that they make significant contributions to the organization’s success and that they also share in the financial gains for that contribution. It is a high-involvement model: involvement in what the workers give to an organization and in what they receive from it.

A partnership culture is the surest path to a high-performance organization. Partnership works because it harnesses the natural motivation and enthusiasm that is characteristic of the overwhelming majority of workers. Other management modes dampen — even destroy — that motivation and enthusiasm. A partnership organization works because it assumes that the great majority of workers are motivated.

It Starts at the Top

Many partnership organizations didn’t have to change to that form: They started that way with a visionary founder and CEO who strongly believed that is the way people should be managed. Frederick Smith of Federal Express and Herb Kelleher of Southwest Airlines are good examples of this. But other organizations that have long operated with an entirely different management mode have consciously and deliberately undergone profound culture change to a

partnership pattern. Good examples include Gordon Bethune’s changes at Continental Airlines and F. Kenneth Iverson’s highly successful efforts at Nucor.

A major lesson from these examples is that *action must begin with, and be sustained by, senior management.*

It is ironic that among the most satisfying aspects of organization life — as of life in general — are those that can be achieved only by hard work. This is especially true of attempts to change relationships: how people treat one another in their pursuit of earning a living. The overwhelming majority of people in organizations act in simple pursuit of equitable treatment, a sense of achievement, and camaraderie.

Appearances

They don’t want to do either the organization or their colleagues harm, but it often appears that way or, at the very least, that they don’t care whether the organization or their colleagues succeed or the organization improves. That occurs because of what happens to people when they join organizations, a combination of the daily on-the-job frustrations that cause people to act in ways not in their better nature; the way management treats them as sources of problems, costs and resistance rather than as assets; and the behavior of the tiny, often highly visible minority of employees who really don’t care and reinforce management’s pessimistic view of the workplace.

Partnership organizations emerge when senior leadership — in most cases it has been the CEO — has the foresight to see what can be and not just what is. This requires not only insight into human nature (especially that people want to do good for a good organization) and not just eloquence in communicating the partnership philosophy, but also perseverance and hard work over a period of years to translate the philosophy into specific and daily management policies. It requires seeing and treating employees as genuine allies in achieving change. ■



If you liked *The Enthusiastic Employee*, you’ll also like:

1. ***The 7 Hidden Reasons Employees Leave*** by Leigh Branham. Employee-retention expert Leigh Branham forges an open discussion on what organizations need to do to retain their best people.
2. ***Developing Employees Who Love to Learn*** by Linda Honold. Honold writes that corporate success depends on employees who take responsibility for their learning, and tells how to inspire them to want to learn.
3. ***Hidden Value*** by Charles A. O’Reilly III and Jeffrey Pfeffer. O’Reilly and Pfeffer demonstrate why focusing on the assets you already have is more important than recruiting and retention.
4. ***Embracing Excellence*** by Franklin C. Ashby, Ph.D., and Arthur R. Pell, Ph.D. Ashby and Pell offer ways organizations can create an environment that is committed to values, vision, creativity, trust and respect.
5. ***Growing Your Company’s Leaders*** by Robert M. Fulmer and Jay A. Conger. The authors explore how the competition for talent is changing, and how several companies have used succession management as a source for strategic advantage.

For additional information on partnership principles, go to: <http://my.summary.com>

· Book 35 of 46 ·

The Expertise Economy

Kelly Palmer and David Blake



The Expertise Economy

How the Smartest Companies Use Learning to Engage, Compete and Succeed

THE SUMMARY IN BRIEF

The workplace is going through a large-scale transition involving digitization, automation and acceleration. Critical skills and expertise are imperative for companies and their employees to succeed in the future, and the most forward-thinking companies are being proactive in adapting to this shift in the workforce.

The Expertise Economy describes how some of the smartest companies in the world are making learning and expertise a major competitive advantage. Authors Kelly Palmer and David Blake provide the latest scientific research on how people really learn. They offer examples of companies in Silicon Valley and worldwide that are driving the conversation about how to create experts and align learning innovation with business strategy. They include interviews with people from top companies, thought leaders in learning and education, as well as Thinkers50 list-makers such as Daniel Pink and others.

The Expertise Economy dares you to let go of outdated and traditional ways of closing the skills gap, and challenges CEOs and business leaders to embrace the urgency of reskilling and upskilling the workforce.

IN THIS SUMMARY, YOU WILL LEARN:

- Why traditional company training no longer works.
- To personalize learning and inspire employees to learn every day.
- To combat content overload and choose the right technology for your organization.
- To speak “the language of skills” in order to make the most of expertise.



by Kelly Palmer
and David Blake

CONTENTS

How We Really Learn

Page 2

Make Learning a Competitive Advantage

Page 3

Embrace Personalized Learning

Page 4

Combat Content Overload

Page 5

Succeed With the Right Technology

Page 6

Make Expertise Count

Page 8

THE COMPLETE SUMMARY: THE EXPERTISE ECONOMY

by Kelly Palmer and David Blake

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Introduction

The world of work is going through a large-scale transition — much like the transition we went through from the agricultural economy to the Industrial Revolution. We are now in the age of digitization, automation and acceleration — an age where critical skills and expertise will be an imperative for us to succeed in the economy.

A 2018 McKinsey Global Institute report makes it abundantly clear that the workforce is not prepared for the disruption that's upon us: "Sixty-two percent of executives believe they will need to retrain or replace more than a quarter of their workforce between now and 2023 due to advancing automation and digitization."

If CEOs and business leaders are relying on a "hire only" strategy to get talent with the skills they need for their future, they will have to think again. Even the best universities are increasingly failing to prepare students with the skills they need to meet companies' hiring requirements. Today, the vital skill set for success includes learning agility (the ability to learn new things quickly), collaboration and teamwork, perseverance, curiosity and the ability to question the world around you. If you aren't ready and willing to learn every day and keep up with a rapidly changing world, you can't and won't stay competitive.

No one knows for sure what skills are going to be needed for the future, so companies need to create an environment where employees are continuously learning new skills: upskilling and reskilling themselves at the same rate that things are changing. Learning should be built into the work that employees already have, not something that they do separate from work.

Learning is complicated and messy. It's not enough to offer support to your employees on their learning

journey; you also have to create the right environment for employees to take ownership of what and how they learn.

To understand how to do that, it's important to review the latest scientific research on how people really learn. ●

How We Really Learn

The truth is that people learn when they care. So how do you get people to care? Researcher Bror Saxberg believes the first step is to understand that each person is comprised of a unique mix of cognitive capabilities and motivations. That means if you expect people to learn, then you need to know what makes them tick from both a cognitive and motivational perspective.

Adult educator Malcolm Knowles did the first extensive research on adult learning and found that an adult's strongest motivators are internal (intrinsic) rather than external (extrinsic). Knowles also discovered that adults need to know *why* they have to learn something.

In his book *Drive: The Surprising Truth About What Motivates Us*, Daniel H. Pink talks about human motivation in terms of autonomy, mastery and purpose. He defines these concepts in the following way: autonomy is our desire to be self-directed; mastery is our urge to make progress and get better at what we do; and purpose is our yearning to contribute and to be part of something larger than ourselves.

These intrinsic motivators are extremely important when it comes to learning and work, yet most companies employ learning and talent strategies that are, in fact, the opposite of what science tells us is most effective.

Instead of autonomy and choice, they have a command-and-control model for telling employees what and



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SUMMARY: THE EXPERTISE ECONOMY

when they need to do and learn (including the dreaded compliance training). Instead of mastery and competence, companies appear to be satisfied that employees have completed “training” regardless of whether they have actually learned anything or developed new skills.

Getting Practical About Learning

So what is the best method to help employees learn? Whether we want people to gain knowledge or learn new skills, there is a simple “Learning Loop” that everyone goes through if they really want to learn. The Learning Loop is a straightforward way of thinking about the learning process and has four components: knowledge, practice, feedback and reflection.

For example, let’s say Emily is starting a new job at a public relations firm right out of college. In her first week of work, she’s learning about her role and familiarizing herself with how everything works in her new work environment. This is the knowledge part of the Learning Loop. Next, she starts to do real work, partnering with more experienced account managers (practice) and maybe sitting in on some client meetings to observe her colleagues in action.

During these first weeks, Emily receives feedback from her boss and her peers about her progress. Emily reflects on the feedback, adjusts her actions in real time, and also gains confidence that she is learning and moving in the right direction.

Here are other ways you can help your employees learn and build expertise:

Model mindset and apply the right motivators.

Let employees know that your company prefers “learn-it-all” employees rather than “know-it-all” employees, and make sure leaders and employees model this behavior. Think about the intrinsic motivations of employees, such as autonomy, mastery and purpose, and let employees take ownership of their own learning.

Have employees assess skill gaps. Helping employees understand their strengths, weaknesses and skills gaps adds incredible value. How do they know what skills they want to build if they don’t know where they want to go, the type of skills they need, the skills they have or the level of those skills?

Encourage autonomy with your employees. People really crave autonomy. If you want to provide an environment where employees can be autonomous, it’s important to focus more on what work gets done, not how it gets done. Also, build trust with your employees. If you don’t trust them to work autonomously, then why hire them?

Encourage more reading and fewer lectures. Some of the most well-respected leaders of our time are avid readers. Warren Buffet, Oprah Winfrey, Sheryl Sandberg and countless entrepreneurs learn through reading.

Let’s now talk about seven guiding principles for how you can help your employees build the skills that are so critical to the success of your company, now and in the future. ●

1. Make Learning a Competitive Advantage

More and more companies are focusing on the power of learning — not only because it benefits employees but because developing employees just makes good business sense. Tesla, General Electric, Airbnb and Goldman Sachs are a few examples of companies that have focused on learning to provide essential development to their leaders.

Other companies would do well to follow their lead. Research from Deloitte shows that high-impact learning organizations achieve three times the profit growth over a four-year period than companies that do not follow a similar approach.

Building a culture of learning does not have to be a case of reinventing the wheel. In fact, most companies operate in cultures that already encourage some level of learning or have mastered a mixture of learning cultures. For example, companies with a **culture of compliance training** tend to place a high value on ensuring that their employees adhere to the regulations and requirements necessary to do business. A **necessary training culture** focuses on teaching employees about highly job-specific tools and processes.

A **learning culture** goes beyond compliance and necessary training. At its core, a culture of learning aligns employee development with organizational goals. In a **culture of continuous learning**, learning becomes part of people’s everyday work and a regular part of their day. In this way, it becomes a daily habit.

A culture of continuous learning is a culture where employees can learn in their own time and their own way through accessing all types of both formal and informal learning, including videos, articles, podcasts, books and even attending events. But more than just the myriad learning that surrounds us every day that helps us build skills for now and for the future, learning in a continuous-learning culture becomes something that people love to do and want to do, rather than something they dread.

SUMMARY: THE EXPERTISE ECONOMY

Once you have built a positive culture designed to encourage autonomy and self-direction, you can start to develop the concept of continuous learning in your workplace. Here are several ways to cultivate this learning environment:

Think about the type of learning organization you want. Employees really want to grow and develop in their careers, and we need to enable, nurture and encourage that. What kind of skills do they want to develop? How do they want to learn? Engaging your employees and bringing them into the discussion will encourage them to embrace further learning.

Communicate, communicate, communicate. Make sure the message is embedded not only in your company's mission, vision and values but also in everything you do, so that everyone is fully aware that learning is entrenched in your culture.

Provide your employees with the learning resources they need. These resources may come in the form of online courses, subscriptions to audiobooks, access to podcasts or a video learning library. Show support by giving them dedicated time during the working day to learn.

Understand employees' career goals. Managers need to check in with their employees regularly to gain a better understanding of their career goals, strengths, areas for development and the short- or long-term goals they want to achieve.

Relate learning goals to the bigger picture. Take time to explain to employees why learning is so important. It needs to make sense for them on a personal level and on a company level. How will their learning impact their personal career path? And how does it contribute to organizational goals and the vision and mission of the company?

Make sure to follow up. This might involve asking your employees what they thought of the activity (good and bad), if it met their expectations and how they could apply this new learning to their roles. ●

2. Embrace Personalized Learning

Corporate training is often modeled on the notion of the “standard” or “average” person; but, according to Todd Rose, director of the Mind, Brain and Education graduate program at Harvard, there is no such thing as an average person, an average education or even a standard way that people learn. Companies need to move away from the one-size-fits-all, standardized learning model and personalize

every single employee's learning experience. For learning to succeed, it has to take place on the individual level.

Companies need to start empowering their employees and understand that employees should be driving the conversation around learning.

Personalized Learning in Action

For personalized learning to succeed, the company must support it and create an environment where the employee can succeed. While employees need to take responsibility for their learning and career development, managers should provide feedback, advice and guidance.

Rico Rodriguez, a 30-year-old software developer and learning enthusiast, studied neuroscience at Yale but decided against a career in neuroscience. Instead, he took a job as a sales rep at eLearning company Moodlerooms, straight out of college. That led him to his next role, as a sales effectiveness associate in the Offers group at Google, where he helped sales reps generate consistent, high-quality leads.

While Rico was coaching sales reps, he realized there was a limitation in Google Spreadsheets that made it difficult to carry out some of the analysis requested by managers, so he started thinking about a solution. He decided he would learn how to code, beginning with the Python programming language. But he also felt he needed a mentor to help advise him, so he found someone at Google whom he respected and who was willing to give him some guidance around learning this new skill.

Once Rico learned Python, he suggested to his manager that he apply his new skill to a project that the engineers didn't have the bandwidth for: a calculator app that Google sales reps could use to replace the cumbersome spreadsheets. Rico's manager agreed to let him work on the project, and so Rico moved from sales to software development.

Two important factors impacted Rico's motivation and determination to move into software development. First, he had a manager who believed in him and his ability to learn new things, a manager who gave him the opportunity to do something new — in this case build the calculator application for the sales team.

Second, he found a mentor who gave him guidance about how his learning was progressing.

However, even with support, people must be motivated to learn in the first place. For example, nobody told Rico to learn to code in Python — he set his own goal and created a challenge that motivated him. From there, he followed the path toward personalized learning. ●

3. Combat Content Overload

Most experts predict that the size of the digital universe is at least doubling every two years (based on a 50-fold growth from 2010 to 2020). As a consequence of this content overload, we have become overwhelmed by the constant surge of information, impatient in our need for information “right now” and distracted by the never-ending stream of websites, apps and video clips.

All this information at our fingertips is a good thing, but only if we can help overwhelmed learners find what they need, the moment they need it. That moment of need usually happens on the job.

For example, say you need to figure out how to use data to tell a compelling story and present it to your boss the next day. You can’t wait for a class on “Telling your Story with Data.” You need the information now. How great would it be if you could easily find what you want without wading through millions of search results?

Digital learning content is rapidly evolving, so it is important to understand what content is available, what’s working, and where companies and employees are being successful. Low- and no-cost quality digital content is now so widely available that organizations simply cannot afford to overlook the learning content available.

For example, the free online video platform TED (Technology, Education and Design) provides access to a collection of short, impactful talks from thought leaders around the world. YouTube is another popular information source and offers a variety of instructional videos, unparalleled by any other media. The nonprofit Khan Academy has delivered more than one billion lessons online. The content is all free and is used by eight million learners monthly around the world.

Massive open online courses (MOOCs) offer learners access to online lectures and assign homework that is graded by a computer. When the class and coursework have been completed, participants receive a certificate of accomplishment. There are also hundreds of subscription-based, paid online learning libraries on the market today.

Here are some ways you can help overwhelmed learners at your company.

Curate content. Say you want to learn more about cybersecurity. You could try googling it, but you have a colleague, Julie, who works in the engineering group at your company, and she is a subject-matter expert on this topic. You ask Julie what she thinks are the best learning resources surrounding cybersecurity. In response, Julie puts

together a list of courses, conferences, certificates, books, podcasts, websites, experiences, journals and articles that she thinks are the most valuable sources of information. Now imagine that you have technology that will let you put these resources in a guided digital pathway so that anyone who wants to learn about cybersecurity can also see the list of resources that Julie put together.

Do not create new content. When you think about creating content, find out if that content already exists either at your company or free on the internet. If you do this, you can then spend time creating content that is specific to your company or your expertise rather than duplicating content that is already high quality and serves the purpose.

Encourage employees to set learning goals. When employees set goals around their learning, they focus on what they should be spending their time on. For example, say Jenn wants to focus on learning more about business strategy. She could set a learning goal to outline how she might acquire this skill (books, podcasts, classes, mentoring, etc.). Then she could track her progress against her goal and even gain certification for that skill upon completion.

4. Understand the Power of Peers

Many managers and leaders tend to see learning as something that you do once, check the box and you are done. Want to make employees more culturally aware? Send them on a diversity training program. Managers not hiring the right people? Put them in front of a PowerPoint presentation and get someone to lecture them on interviewing skills.

Research shows that the people taking part in these programs either resent being there in the first place or simply forget what they’ve been taught within the space of a couple of days or even hours. The point is that learning cannot be ordered up like a burger in a fast-food restaurant. There is no quick fix. Learning is about gaining new skills and knowledge from the people around us.

There is a different dynamic altogether in learning from our peers versus learning from someone in a superior position. When you work for someone, they ultimately have power over you — the power to help you with your career, to mentor you and champion your efforts, to impact your income and your yearly bonuses, and to promote you or fire you. These factors often inhibit us from saying what we want to say or speaking up when there is a concern.

SUMMARY: THE EXPERTISE ECONOMY

The other dynamic to peer learning is reciprocity. People receive feedback from the group for their own work, and they tend to put more time and energy into providing meaningful feedback on their peers' work as well.

Telecommunications company Ericsson holds a "Learning Week," during which employees can learn from others and teach what they know. People can sign up for sessions that they want to teach others about and either participate in the program online through collaboration tools or at an in-person meeting. For Ericsson, Learning Week has become a wildly successful strategy to encourage peer-to-peer learning. This is because the people sharing their expertise gain as much as the peers who participate.

The strategy for peer-to-peer learning isn't to lecture but to set up the learning so there is an opportunity to have meaningful conversations, to listen to different points of view, to get feedback and to reflect.

Creating a successful peer-to-peer learning environment takes time, but plenty of organizations have managed to achieve it by following these guidelines:

- **Appoint someone to facilitate the learning process.** People who have typically been instructors in instructor-led training programs are often great facilitators. Peer learning facilitators make sure everyone stays on topic, notes key ideas and themes, and keeps the conversation moving forward.
- **Focus on real-world situations** by giving the group a real problem to solve. The key to a successful peer-to-peer learning program is to ensure everyone taking part is engaged in something authentic to resolve.
- **Build a safe peer-to-peer learning environment** where participants feel comfortable enough to share their thoughts openly with their peers. Encourage empathy, active listening, sensitivity to feelings and needs, and engagement in emotional conversations.
- **Promote peer-to-peer learning** by holding inclusive events and conferences in person or online.
- **Encourage peer-to-peer networking** by setting up online social networks, organizing networking events or setting up informal learning groups that meet regularly and exchange ideas (even over a few beers!).

5. Succeed with the Right Technology

Many companies choose technology before really understanding how it can address the business problems they are trying to solve. For example, someone thought it would be a great idea to take a classroom lecture and put

it online. But, think about the worst professor you ever had in high school or college, and imagine putting his lectures on YouTube.

Although you have the technology to distribute a terrible lecture to millions of people, not many people will find this useful, inspiring or engaging. If it wasn't good in the first place, adding technology is not going to make it any better.

As learning scientist Bror Saxberg says, "Technology does nothing for learning. What technology does is take either a good learning solution or a bad learning solution and make it more affordable, more reliable, more available, more data rich and more personalized." In other words, technology is useless if you don't start with a solid foundation and strategy for what you want to do with learning.

We can make sense of it all if we start with "Why?" Why do you need the technology? What problem are you trying to solve?

Explore or Create Career Goals

For example, in 2011, Anne Fulton and her co-founder, Jo Mills, created career-pathing software solution Fuel50 with the mission of creating a meaningful workplace for people around the globe. Fulton describes Fuel50 as "Match.com meets LinkedIn." In other words, it matches people with career paths and internal opportunities and then connects them to others within the company who can help them succeed.

If you want employees to grow their careers inside your company, you need to connect them to opportunities available internally. Unfortunately, it's often easier just to look externally at new opportunities through LinkedIn. Fuel50 helps employees find the answers to questions such as "What am I best suited to here in this business?" "What role could I aspire to?" "How can I get from where I am today to where I want to be?"

One of the main goals of Fuel50 is to build a continuous growth culture and mindset within the business.

In the long run, companies should be thinking about creating a learning "ecosystem," which is a system that seamlessly integrates best-of-breed technologies for the problems that they want to solve.

Here are some ways you can succeed with the right technology:

Figure out your learning and talent strategy first. It seems like common sense, but work out what you want to do, what your strategy is and what business problems you are trying to solve before buying technology to support that strategy.

SUMMARY: THE EXPERTISE ECONOMY

Do your research. There is plenty of great information out there about what technologies are available to solve your particular problems, so keep up to date on what's new. Some great resources for this include *Harvard Business Review* and *Fast Company*.

Invest in adaptability more than efficiency. Let go of the fantasy of one integrated system that does everything, all in a simple, seamless application. Locking all your processes, content and users into one monolithic system won't help you adapt when requirements and priorities evolve or when new, better options emerge. And they will.

Focus on value, not price. Consider productivity gains, think about new possibilities, and factor in the time and work it will take to drive adoption and utilization.

Select a partner, not software. Push past the sales rep. No matter how slick the user interface looks or how easy the integrations sound, software won't transform your operations or make change stick. People will. Innovation takes vision, creativity and grit, but it also requires solving problems. So get to know the product as well as the engineering and client service people you'll be working with. ●

6. Analyze Skills with Data and Insights

With the help of data and analytics, we have the ability to understand our employees' current skills as well as the ones they are building. Data can also tell us the level of engagement in learning, how to make the best learning investment decisions and how learning can impact the business in significant ways.

Data can answer some of the critical questions leaders ask about training, such as

- Should we be spending this much money to train our employees?
- Is it making a difference?
- Was it worth the investment?
- What are employees learning on their own time and on the job that we aren't tracking?

Many successful learning leaders do not start out in the learning field. Instead, they often come from marketing, product development, product management, technology and corporate strategy.

Susie Lee, head of global business solutions at Degreed, started in business before moving to learning. In 2010, Lee moved internally from her role at Bank of America as vice president of product development and loyalty marketing

to senior vice president of global learning product management and implementations.

Lee noticed that by applying the principles of marketing and metrics to corporate learning, she was able to engage in meaningful conversations with business leaders about the learning patterns of employees. Lee believes one of the smartest things companies can do is look at corporate learning more holistically and think of learning as a business. In the simplest form, that means understanding your customers. But who are your learning customers in a corporation?

Ultimately (and this is where the shift in mindset is important), the customers are your employees. They are the ones who are doing the learning. That's why it's even more important to focus on learning data to give you insights about what skills your employees have and what learning they need to get the skills they need. Then, it's not about guesswork; instead, it's about data showing what employees really need.

Measuring What Matters with the Learning Analytics Model

Many companies apply the principles of the learning analytics model (LAM) to acquire information. This model shows you how to collect the right learning data, analyze that data to find powerful insights, tell a compelling story about learning at your company to help gain a competitive advantage, and provide actionable outcomes using this data.

Once you collect all the relevant data, it's time for analysis. The goal of analyzing the learning data is to help you figure out what it all means and get the answers you're looking for. Data can be collected at a variety of levels to tell a complete learning story: the industry level, company level, organizational/team level and the individual level.

With the help of the right data, you can tell a compelling learning story rather than just provide a spreadsheet of endless data. Storytelling can be a compelling way to tell the learning story and really share your understanding of the degree of talent in your organization. ●

7. Make Expertise Count

In the expertise economy, it's not important how you gain your expertise, just that you did. When we hire people, from within a company or externally, the question we should be answering is "Can this person do the job and how well?" In other words, we should be assessing people's abilities through the lens of skills rather than more

SUMMARY: THE EXPERTISE ECONOMY

conflated signals like the company a person worked for or a prestigious school they attended.

Skills are the things we can do. Mastery is how well we can do them. Can she program in Python? Can he think critically? Can she present? Can he analyze? If so, how well? Every job we ask someone to do is a compilation of individual skills.

Skills are the building blocks of a job and the building blocks of a company. For us to solve the labor market problems we have in this economy, we must begin speaking the language of skills and stop caring about pedigrees, logos, time spent learning, test-taking ability, interviewing skills or anything else. The first step to speaking this language is to think of your company as its own labor market.

Three simple questions can guide your progress toward being able to speak the language of skills:

- What skills do we have?
- What skills do we need?
- What could we do if we had this information at our fingertips?

Skills as a Currency

The labor market transacts in much the same way as any other market does, using currency to translate relative value to make the market more efficient. If skills are the unit of value in the labor market, then professional credentials are the currency. And there's the rub. The market is flooded with different credentials: professional designations from associations (e.g., CPA, PMI, CAN), micro-degrees, nano-degrees, company-specific certifications, open badges and, of course, the traditional college degree.

The problem with these credentials is that they all represent different things to different people. Some measure the completion of courses, while others measure knowledge; some measure time spent doing something, while others are simply meaningless.

It's alphabet soup out there. What we need is a single currency to measure any skill at any level, and provide workers, managers and recruiters with a common language with which to interact.

Measuring Skills

All organizations need to set standards to create a complete picture of how they are measuring and growing skills in particular roles. There are myriad taxonomies and tools available to help organizations find the answers to these questions by mapping job roles to skills. More and

more companies are turning to AI and machine-learning technologies with relational databases to make recommendations based on near real-time labor market and jobs data.

Many companies are also setting mastery levels for the skills they've identified for each role. The Lumina Foundation's Connecting Credentials rubric is a popular eight-level rubric that is applicable to any skill and serves as a useful way to set standards and measure mastery. Once those standards are set, you can train against and measure the results of your efforts.

Telus International, a global telecom company, is using the Lumina rubric built into Degreed to measure the specific skills obtained by 300 employees taking part in a formal training program. Following the program, which includes a combination of several modalities of learning, project-based learning and feedback sessions, everyone goes through a process to specifically measure and certify their skills.

The benefits of this process are twofold: Individuals receive certifications for the skills they have gained, while the company gets a better idea of the effectiveness of the training program and the skills obtained for that team. These results are then benchmarked against the job roles for each person to see how well they map onto the expectations and needs of the business.

In the expertise economy, we all have a responsibility to help teach and guide each other for our collective success. In the words of the American philosopher Eric Hoffer, "In times of change learners inherit the earth; while the learned find themselves beautifully equipped for a world that no longer exists." ●

MORE SV CONTENT ON HUMAN RESOURCES

Summary: *The Future Workplace Experience* by Kevin J. Mulcahy, Jeanne C. Meister. *The Future Workplace Experience* provides 10 rules for rethinking, reimagining and reinventing your organization. You'll gain a step-by-step process of recruiting top employees and building an engaged culture — one that will drive your company to long-term success.

Webinar: *Winning the Global War for Talent* by Gyan Nagpal. Nagpal decodes what it takes to attract, retain and develop today's employee. By focusing equally on Macro Trends and Micro Trends, he helps Talent Managers transform into forward-looking Talent Economists.

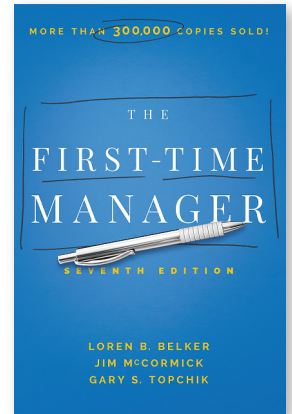
· Book 36 of 46 ·

The First-Time Manager

Jim McCormick

The First-Time Manager

by Loren B. Belker, Jim McCormick, and Gary S. Topchik



Contents

So You're Going to
Manage People

Page 2

Tackling Your New Duties

Page 3

Working with People,
Building Relationships,
and Managing Risks

Page 4

Job Descriptions,
Performance Appraisals,
and Salary Administration

Page 5

The Complete Person

Page 6

THE SUMMARY IN BRIEF

Stepping into management for the first time and facing new responsibilities can be overwhelming. Novice managers can't afford to learn by trial and error. ***The First-Time Manager*** by Loren B. Belker, Jim McCormick and Gary S. Topchik has long been the definitive resource, a trusted classic for navigating those early challenges with clarity and confidence.

This timeless guide is indispensable and goes beyond theory, equipping new leaders with practical know-how on hiring, coaching, delegation, time management, communication, and building trust. For over forty years, it has helped professionals move from individual contributor to effective manager.

Becoming a manager isn't just a step up the career ladder – it's a transformation, a complete shift in how you work and lead. *The First-Time Manager* helps you sidestep common mistakes, establish credibility, inspire your team, and develop into the kind of leader people respect and trust. With its guidance, you'll gain the tools to start strong and lead with confidence from day one.

IN THIS EXECUTIVE BOOK SUMMARY:

- Learn what it takes to be a successful new manager.
- Discover how to spot and cultivate talent.
- Explore the importance of relationship building.
- Understand how to effectively handle the administrative side of people management.

PART ONE: So You're Going to Manage People

The Road to Management

Being a manager requires skills beyond those of being an excellent technician. Managers need to focus on people, not just tasks. They need to rely on others, not just be self-reliant. Managers are also team oriented and have a broad focus, whereas non-managers succeed by having a narrow focus and being detail oriented.

Starting Out

- Settle in
- Use your new authority
- Have the personal touch
- Get to know them
- Have friends in the department
- Structure your organization
- Manage your mood
- Manage your feelings

Building Trust and Confidence

Building confidence is a gradual process. One of your main goals is to develop the trust and confidence of your employees, not only in their own abilities but in their opinion of you. They must have confidence that you are both competent and fair.

Show Your Appreciation

Consider some of the following points when giving praise or showing appreciation:

- Be specific
- Describe the impact
- Don't overdo it

Giving praise or appreciation involves two steps. First, you specifically describe the behavior, action, or performance that deserves the appreciation. Then you describe why it deserves your appreciation and the business impact of the contribution.

Being an Active Listener

One of the best-kept secrets of successful management is the ability to listen actively. Active listening means letting the other person know that she has been heard. You do this

by involving yourself in the conversation, making clarifying statements, asking questions, summarizing what you have heard, and using appropriate visual and vocal cues. The best listeners are active ones.

The New Manager's Job and Pitfalls to Avoid

As a manager you need to play many roles—coach, standard setter, performance appraiser, teacher, motivator, visionary, and so forth. You select the appropriate role based on the situation you're in and the objectives that you want to accomplish. Often, new managers are given the advice to "just be yourself." This is actually bad advice. It will prevent you from using the different roles that will make you a successful and effective manager.

Dealing with Your Superiors

It is important for managers to pay attention to their attitude toward superiors. Their future success depends on both their subordinates and their superiors.

You need to do the following when communicating with your managers:

1. Keep your manager informed
2. Be considerate of their time
3. Be well-prepared
4. Be willing to listen to their point-of-view

Choosing a Managerial Style of Your Own

If you look at the history of management styles, you'll notice that two styles have dominated. Managers were either autocratic or diplomatic. Today, however, the best managers know that there are more than two styles of managing and they need to be good in multiple styles.

As a new manager, you should use the "awareness approach" when selecting an appropriate managerial style. In order to be aware, you must use the right amount of control and encouragement for each of your employees.

Control is:

- Telling employees what to do
- Showing them how to do it
- Making sure that the work is done

Encouragement is:

- Motivating
- Listening

Many new managers are uncomfortable about what they cannot do. Don't be. You will be held responsible for the results you achieve—not for performing every task yourself.

- Running interference so employees can do what is expected of them

PART TWO: Tackling Your New Duties

Building a Team Dynamic

If you really want your team to succeed and perform at the highest levels possible, you need to build a team dynamic. In order to build a team dynamic, the following six factors are essential:

1. Open communication
2. Empowerment
3. Clear roles and responsibilities
4. Goal clarity
5. An effective leader
6. A reward and accountability system for both individual team members and for the entire team

Management Versus Leadership

It is common to see the words *management* and *leadership* used in place of one another. This is understandable but doing so causes an important distinction to be lost. As a manager you need to both manage and lead but it is vital that you understand the difference. At the risk of oversimplifying the difference, management is about controlling and leadership is about inspiring.

Managing Problem Employees

Not every employee you manage is going to be successful on the job. Someone who is performing poorly may require additional training, a transfer to another area where the employee may shine, or ultimately, outright dismissal.

Here are a few of the types of employees that most new managers find particularly challenging: The Attacker, The Comic, The Deserter, The Limelight Seeker, The Moonlighter, The Not-My-Jobber, The Bleeding Heart, and The Complainer.

Hiring and Interviewing

Nothing you do as a manager is more important than hiring well. You need to be very confident you have the right person before you offer the job. Your certainty needs to be based on hard facts, research, reference checks, testing, and whatever other tools are available to you.

Training Team Members

You must know what needs to be done, not exactly how it's done. A lot depends on what level manager you are. If you are responsible for doing some of the work yourself and leading others in the same function, you will know how to perform the operation. Many new managers are uncomfortable about what they cannot do. Don't be. You will be held responsible for the results you achieve—not for performing every task yourself.

Managing Change: Dealing with Resistance

One of the most important aspects of a manager's job is managing change effectively. Managing change includes accepting change and supporting it, understanding why your team members may be resistant to it, and finding ways to reduce that resistance. When you are able to do all three of these, you have mastered one of the most critical competencies of any manager.

Disciplining the Employee

Every employee you are managing must know what the expected standards of work are. You create problems for yourself when you discipline an employee on the basis of vague work standards. Doing so will weaken your position in the process and easily lead to genuine misunderstandings. You can't get by with a nebulous approach to performance standards.

"Oh My God! I Can't Fire Anyone!"

Firing someone can be traumatic for both parties in the drama. If you've done your job properly, the event will not come as a surprise to the person who is about to get the ax. But you can set the bar higher. Your goal, when dismissing an employee for poor performance, is to have him actually

thank you for removing him from the position. Really. This cannot be achieved every time, but it is the goal you want to target.

Having a Legal Awareness

It is very important as a first-time manager that you know current employment laws, practices, and regulations set by federal, state, and local governments in order to avoid any legal liability. You do not need to be an expert, however, because that is the job of human resources.

PART THREE: Working with People, Building Relationships, and Managing Risks

No Secrets

If you do not let your people know what's going on, they will either seek out the information from other sources or simply make assumptions. This can work against you in two ways. The information your team members get from other sources may be incorrect or they may assume something that is not accurate. Even worse than that, they may act on the incorrect information or assumptions.

The Human Resources Department

The human resources department can help you out in many of the areas that new managers are not familiar with, including hiring, coaching, training and development, employee assistance programs, benefits, wage and salary administration, discipline procedures, promotions, performance appraisals, dealing with difficult bosses, termination, and all the legalities involved in managing. It is a good idea for you to familiarize yourself with what your HR department or HR person can do for you.

The Current State of Loyalty

If there is one subject that has fallen into disrepute in recent years, it is loyalty. While it still exists, it tends to be granted more sparingly and only when it is seen as having been earned. Changing employers is common. The more transient nature of today's workforce contributes to decreased loyalty.

Is There Such a Thing as Motivation?

Motivation is getting people to want to do what needs to be done, willingly and not by force. The best managers spend time finding out what motivates their employees, blend those motivations with the needs of the organization, then

create an environment in which their employees can be successful. There are many ways to find out what motivates your employees. You can observe their behavior, get to know them after a few months, or have them fill out a survey or questionnaire. There is one other method: Ask them!

Understanding Risk Inclination

By accepting your new management position, you decided to take some risks. Foremost, you moved from a position where you were likely performing well to take on a new challenge with no guarantee of success. This suggests that you have some willingness to take a career-related risk, at least when familiar with the people and organization offering you the promotion and when given the opportunity to fully assess it. The amount of time you took to decide whether to accept the promotion to your new position likely provides you with some insights into your risk-taking style. If you accepted the position immediately, you are probably a bit bolder, or you knew the offer was coming and had plenty of time to assess the pros and cons in advance. If you took a good deal of time to consider it, you likely have a more cautious style of risk taking.

Encouraging Initiative and Innovation

The pace of business continues to accelerate. Technology has made the faster pace possible while intense domestic and global competition has made it necessary.

As you continue in your career as a manager, you will see the pace at which decisions are made and actions are taken continue to quicken. It is important that your leadership style keeps pace as things move faster.

Improving Outcomes

A big part of your responsibility as a manager is to find ways to do things better—faster, cheaper, and more efficiently. And you need to be successful much more often than you are not. This means you have to always be mindful of opportunities for improvement. It also means you need to be able to execute well.

The Generation Gap

Each generation has unique characteristics. In most workplaces you will have colleagues in at least three distinctive generations. Those are Baby Boomers (born 1946–1964), Gen Xers (born 1965–1976) and Millennials who are also known as Gen Y (born 1977–1995). It is important that you appreciate the differing traits and motivators that are common in each generation. While there are always excep-

Emotional intelligence is a management concept with which you need to be familiar.

tions to broad generalizations, there are some commonalities that often surface in these generations that can prove helpful to you.

Managing Remote Employees

It is important that as much as possible you treat members of your team who are offsite the same as onsite members. You need to be similarly accessible and communicate with them at least as much. You will want to use all the communication tools available to you including email, text, phone, and video with a bias toward video. Video calls or video conferences afford richer communication than the other modes.

Social Media in the Workplace

Professional use at work is an appropriate tool. If your people use social media as a work-related tool you need to have clear written guidelines on what is and is not allowed in their posts. Personal use at work needs to be addressed intentionally. Ignoring it can easily cause you problems. Many companies have outright prohibitions on personal use of social media during work hours or on employer-owned devices. These policies often prohibit using company email addresses for personal social media accounts.

PART FOUR: Job Descriptions, Performance Appraisals, and Salary Administration

Writing Job Descriptions

Most companies use job descriptions, although they may range from very informal to highly structured descriptions. A job description describes what is done in varying detail, and it usually includes hierarchical relationships. When writing job descriptions, you'll find it helpful to use the "three-tier approach." The three tiers are:

1. Technical skills and knowledge
2. Behaviors
3. Interpersonal skills

Doing Performance Appraisals

Performance appraisals can be as informal as telling someone "You're doing a nice job," or as elaborate as a full written report and a formal meeting with the employee. Performance appraisals are a powerful management tool that are often underutilized or neglected. Done well, performance appraisals will help you be more successful as a leader. Done poorly or not at all, they are a missed opportunity and can expose you and your organization to unnecessary liability.

Salary Administration

It makes sense to have a minimum and a maximum salary for each position. You can't allow a situation to develop in which an individual could stay on the same job for years and receive a salary out of all proportion to what the task is worth. It's important to make certain that long-term employees are aware of this situation, especially as they get close to the salary cap on the job. For most well-qualified people this is not a problem, because they'll usually be promoted to another job with a larger salary range.

PART FIVE: Improving and Developing Yourself

Having Emotional Intelligence

Emotional intelligence is a management concept with which you need to be familiar. Social scientists and psychologists have found that managers and leaders who have high levels of emotional intelligence, or a high emotional quotient (EQ), seem to do much better in their managerial and leadership roles than their counterparts who have average or low EQs.

Developing a Positive Self-Image

Having a positive opinion of your own ability is not an ego problem if it's a realistic assessment. People can get awfully mixed up in dealing with this ego thing. There are always people who want you to feel guilty if you have a healthy opinion of yourself. But as the old saying goes, "love your neighbor as yourself." This implies that your capacity to

love your neighbor is determined by your capacity to love yourself. This principle applies to management, too.

Managing Your Own Time

Some tips recommended my managers from a variety of fields:

- Recognize that we all have the same amount of time
- Set deadlines for your projects
- Difference in urgent vs important
- Keep a record for how you spend your time
- Plan your day and week
- 70/30 rule
- Schedule set times for sending and returning telephone calls, reading and sending emails, office hours, and so forth.
- Don't wait for the perfect time
- Reward yourself
- Develop the on-time habit
- Consider working from home, in a remote office, when you have to work on a task that requires total focus and a minimum of interruptions

The Written Word

Some people are intimidated by a blank piece of paper or computer screen. When you are trying to make a point, always consider using a story. Stories are more powerful than even a well-reasoned argument. Using a story will also make your assertions more memorable. Another one of the best methods for improving your writing skills is to use mental imagery.

The Grapevine

One way a manager can avoid falling victim to the grapevine is to do a good job of communicating. Getting information out clearly and effectively will reduce the opportunities for the grapevine to distribute inaccurate information about your operation. There will always be speculation and gossip. But by being an effective communicator, you can reduce the *incorrect* speculation. You'll never stop it completely and need to accept that fact.

Your Best Friend: Delegation

We cannot stress enough how important it is for a manager to know how to delegate and utilize this indispensable tool. When you delegate properly, you can focus less on performing tasks and more on managing and leading. Delegating is not *doling out*. Delegation is taking something that you

currently do and giving it to one of your employees for the purpose of developing her skills and making your organization more effective.

A Sense of Humor

Many new managers take themselves way too seriously. Life is challenging and can be grim. Without a sense of humor, it can be deadly. New managers need to learn not to take themselves too seriously and to develop a sense of humor.

Managing, Participating in, and Leading Meetings

Some of the best training for leading a meeting is in being exposed to some poorly led ones. Most meetings last too long. You can't help but wonder if some folks think sitting around at a meeting beats working. But probably the main reason meetings last too long is that they are poorly planned and poorly led.

Taking Center Stage: The Role of Public Speaking in Your Career

It is amazing that there are so many capable managers who can't handle a public speaking situation well. Standing up on the platform they come off as dull, uncertain, and of limited talent. The impression the audience receives is that they're not very good on the job, either. That impression may not be valid, but as we've discussed earlier, people act based on their perceptions. There are three specific ways that can help you learn how to be an effective presenter—Toastmasters, training classes, and presentation coaching.

A Few Body Language Insights

Having even a basic knowledge of body language will give you advantages in reading other people and effectively conveying your own messages. Simply stated there are two general types of body language: open and closed. Open body language is invitational and welcoming. Closed body language reflects restraint, or even avoidance.

PART SIX: The Complete Person

Coping with Stress

1. Don't make things worse
2. Take a breath
3. First things first
4. Distribute the load
5. Seek advice

6. Be levelheaded
7. Visualize wisdom

Having Balance in Your Life

The first-time manager often becomes so engrossed in new responsibilities that the job occupies almost every waking moment. This dedication is admirable, because it indicates that the person is determined to do a great job and be successful as a member of the management team.

A healthy life must have balance, however; while your career is important, it is not your entire life. Actually, you will be a more complete manager if you are a more complete person. You cannot separate the two.

A person whose only interest is the job is one-dimensional, and a one-dimensional person is not as effective a manager as a multidimensional person. Here are some ways to achieve balance in your life.

Community Work

Be involved in your community. The objective is to be of assistance, but there are ancillary benefits: knowledge, contacts, friends.

Outside Reading

Read about your business and the world.

A Healthy Separation

Separate work from the rest of the day. Minimize work at home.

Work/Life Balance

Self-discipline. Train colleagues to contact you only for emergencies.

A Touch of Class

There are many meanings to the word *class*. As a manager,

think of class as “style and elegance in one’s behavior.” Class in a manager or executive consists of what is done and, often of greater importance, what is not done.

Conclusion

The *First Time Manager* is devoted to exploring how you manage your people, but equally important is seeing you grow as a total person. Your career can add to your total growth, since it’s such a large part of your life. We shouldn’t work at jobs we don’t like, but on the other hand, we must be realistic in recognizing that all careers include aspects we don’t like. It’s the balance that is important.

If most of the job is enjoyable, satisfying, and challenging, then you can put up with the parts you don’t care for. If it’s the other way around and you dislike most of what you have to do, you’re obviously in the wrong career and you ought to change it. Life is too short to spend time and energy in a career that depletes and destroys you.

As you progress as a manager you don’t necessarily get smarter. You gain more experience, which has the potential to become wisdom. It doesn’t matter what you call it as long as you continually become more effective. You can become more effective as you develop a greater variety of experiences in working with people. As you repeat the same experiences you have the opportunity to develop a smoothness you might not otherwise develop.

Wishing you the best of success as you direct people in what amounts to about half of their waking hours. Your success as a manager starts with you and your attitude toward that responsibility. We hope this has been of help to you at the beginning of a new and exciting chapter in your life. Good luck to you, and enjoy the ride.



Jim McCormick, founder and president of the Research Institute for Risk Intelligence and former COO of the nation’s fifth-largest architectural firm, is an organizational consultant and executive coach with extensive experience advising CEOs and senior leaders. Based in Denver, Colorado, he brings deep expertise in guiding organizations and executives through complex challenges.

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· Book 37 of 46 ·

The Good Ones

Soundview Executive Book Summaries



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Executive Book Summaries®

The Good Ones

Ten Crucial Qualities of High-Character Employees

THE SUMMARY IN BRIEF

Employers look for two things when hiring or promoting people: knowledge and skill. They rarely, if ever, consider character. Yet character is the key to extraordinary business success. *The Good Ones* presents 10 crucial qualities of high-character employees, qualities that enhance employee satisfaction, client relationships and the bottom line.

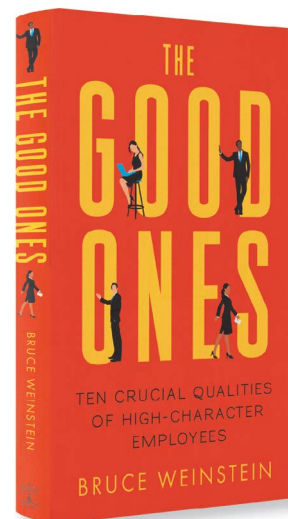
Using stories from managers and employees across the U.S. and beyond, ethics expert Bruce Weinstein reveals how honesty, courage, loyalty and patience have helped organizations maintain an edge over the competition.

Each chapter of the book is devoted to a single quality of character and ends with questions employers can use to hire and promote the Good Ones — people who are consistently honest, accountable, fair and grateful.

Whether you're looking to bring new people into your organization or seeking a job or promotion yourself, *The Good Ones* will help you appreciate in practical terms why character is the missing link to excellence.

IN THIS SUMMARY, YOU WILL LEARN:

- Why honesty is the most important aspect of good character.
- How much loyalty one should have to an organization.
- Why listening is essential to being present.
- Key questions for finding employees with the best character.



by Bruce Weinstein

CONTENTS

Character: The Missing Link to Excellence

Page 2

Honesty

Page 2

Accountability

Page 3

Courage

Page 4

Gratitude

Page 6

Loyalty

Page 7

Presence

Page 8

THE COMPLETE SUMMARY: THE GOOD ONES

by Bruce Weinstein

The author: Bruce Weinstein helps organizations hire and promote people of high character. He is known as The Ethics Guy® and has discussed ethical issues in the news on NBC's Today, ABC's Good Morning America, CNBC's Fast Money, Fox News Channel's The O'Reilly Factor and a wide range of programs on CNN. The W.K. Kellogg Foundation awarded Bruce a National Fellowship in leadership development.

The Good Ones: Ten Crucial Qualities of High-Character Employees by Bruce Weinstein. Summarized by permission of the publisher, New World Library. Copyright © 2015 by Bruce Weinstein. 280 pages, \$15.95, ISBN 978-1-60-868274-4. Summary copyright © 2015 by Soundview Executive Book Summaries® www.summary.com, 1-800-SUMMARY. For additional information on the author, go to www.summary.com and TheEthicsGuy.com.

Character: The Missing Link to Excellence

At the heart of honorable behavior is a simple concept: character. Character refers to the most important qualities that define a person's identity. It is revealed not by words but by actions. Character stands in contrast to other qualities that describe a person but don't speak to that person's essential nature.

The title *The Good Ones* has two meanings. First, it refers to employees of high character. Second, it refers to the 10 qualities that are associated with high-character employees. Those qualities are

- Honesty
- Accountability
- Care
- Courage
- Fairness
- Gratitude
- Humility
- Loyalty
- Patience
- Presence

Character is developed over time, with consistent effort. Character development is similar to weight training. It takes several trips to the gym every week for months to build strength, and if you stop, your body returns to the way it used to be. By the same token, it takes constant effort to develop and sustain the traits associated with high character.

Smart companies seek to hire and promote high-character people for five reasons:

1. They make coming to work a more agreeable experience for everyone, which is good for employee morale.
2. They contribute significantly to the organization's financial health by being highly productive and developing strong relationships with clients.
3. They tend to be loyal to their employers.
4. They advance the company's mission of enhancing people's lives.
5. They reflect well on the company, which is valuable for its own sake and also promotes positive word of mouth.

A universal character model is a tall order, but there is evidence that high-character employees are reliably distinguished by these 10 crucial qualities, and it's in a business's own interest to place a much greater importance on looking for people with these qualities than most companies do now. ●

Honesty

After the closure of the furniture factory where she had been working for 20 years, Brenda Harry found a minimum-wage job at the Goodwill Store and Donation Center in Pearisburg, Virginia. Her job was to process clothes and other items that people deposited in collection boxes around town.

Most of the time the pockets were empty, but one day in January 2014, she discovered four envelopes inside



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SUMMARY: THE GOOD ONES

a suit jacket. Those envelopes contained \$3,100 in cash. This was more than she made in two months of full-time work at Goodwill. If she had pocketed it, no one would have known.

But Brenda Harry immediately turned the money over to her supervisor. “I was raised to be honest,” she said. It was that simple. “It doesn’t matter if you need the money. It’s not yours. So you turn it in.”

It’s hard to know how many people would do what Brenda did, because the sort of people who would keep the money might not report doing so. It doesn’t even matter, really. What does matter is that smart employers hire people like Brenda Harry, because they can trust her.

All of the 10 qualities are hallmarks of high-character employees, but honesty is the most important one. No matter how knowledgeable or skilled a person may be, if he or she is fundamentally dishonest or doesn’t value honesty, that person is detrimental and possibly even dangerous.

Honesty is above all a feeling, a disposition, an orientation toward the truth. Honest employees cannot tolerate lying, fudging data, misrepresenting themselves or their companies, or other conduct that displays contempt for the truth. Falsehood in all its forms is a poison to an honest person. A company’s power, influence and integrity are a direct function of the honesty of its employees.

Obstacles to honesty include success through dishonesty, lying to save money and lying to save trouble.

Evaluating Honesty

Because honesty is an essential characteristic of the Good Ones, the following questions and sample answers may be helpful to interviewers.

- Tell me about a time when you had to tell a direct report an unpleasant truth. What were the challenges and how did you get past them? What were the consequences?
- Tell me about a time when you could have lied to a supervisor but chose to tell the truth. What happened?
- Have you ever cheated, and if so what did you learn from it?

There are two downsides to asking a direct question about dishonesty. First, it immediately strikes fear in the candidate’s heart, even if the candidate is fundamentally an honest person. The second is that the question seems to present a no-win situation for the candidate. She may reason that if she admits to having cheated, she won’t get the job; but if she lies, she’ll be worried about being caught in a lie and rejected for that reason.

But the savvy interviewer will not reject a candidate simply because he has admitted to cheating. The smart

employer looks not for perfection but for an explanation of how the consequences of a dishonorable act affected the candidate and others.

Too often, we think of ethics in terms of what people shouldn’t be doing and how unethical behavior hurts organizations. That’s part of the story but not all of it. Companies already prohibit employees from acting dishonestly, but they need to go further and actively promote honesty as a core value. This means letting dishonest employees go and hiring and promoting honest ones. Honesty isn’t the best policy. It’s the only one. ●

Accountability

Accountable employees do four things consistently:

- They keep their promises.
- They consider the consequences of their actions.
- They take responsibility for their mistakes.
- They make amends for those mistakes.

A Strong Work Ethic

“Action-oriented” is the first listing in Ken Sundheim’s Forbes.com essay “15 Traits of the Ideal Employee.” “Stagnant employees won’t make your company money; action-oriented employees will,” Sundheim writes.

The top item in Kevin Daum’s article for Inc. online, “5 Desirable Traits of Great Employees,” is “accountability.” “Employees can be smart, likeable and talented,” Daum writes, “but if you can’t trust them to do what they say they’ll do, you and everyone else will constantly waste time and energy checking up on their work.” Who is right?

They both are. A strong work ethic is a component of accountability. If there’s some confusion about this, it’s because we talk about work ethic in psychological or emotional terms. A person with a poor work ethic is called “lazy,” while someone with a superior work ethic is a “self-starter” or “highly motivated.” This is a mistake. Having a strong work ethic fundamentally means keeping promises to one’s employer. That’s why it’s an issue of character.

Obstacles to accountability include an organizational culture that doesn’t value accountability, the urge to over-promise and time, money and energy.

Evaluating Accountability

The following questions may help managers discern a job candidate’s level of accountability.

- Walk me through a typical working day. Asking a job applicant to provide details of a working day is

SUMMARY: THE GOOD ONES

an attempt to discover what many call the person's work-life balance. The point is to get the applicant's assessment of how work fits in with his or her life. People with a strong work ethic are accountable people, because they keep their promises to their employers to do their jobs well. They're neither lazy nor workaholics.

- Describe a situation in which you took responsibility for a mistake you made. What were the consequences to you for doing so?
- Have you ever taken responsibility for a mistake that a member of your team made? ●

Care

Care, like honesty, is first and foremost a strong feeling or passion. Where honesty means having a passion for truth, care means having a deep concern for people's well-being and flourishing. The passion for making a difference in people's lives has a profound implication in the business world.

In this context, caring is almost always discussed with reference to other people. But if you are a caring person, consider the following syllogism: Care is the application of your passion for helping people. You are a person. Therefore, care means applying your passion to yourself as well as to others.

A caring employee is, above all else, a servant, not in the way that suggests exploitation, obsequiousness or a harsh imbalance of power. Caring employees serve their organizations, their clients and their team members while taking care of themselves, too. The Good Ones see both of these goals as essential to their work.

Caring Employees are Engaged

A person who doesn't care about his or her work isn't fully engaged in it. Engagement is a popular term in business that's in danger of becoming a buzzword and losing a valuable core meaning: Engaged employees are those who have an emotional connection to their work and an ethical commitment to taking it seriously. Even something as seemingly trivial as daydreaming, a form of disengagement, can be potentially serious in jobs where lives are on the line.

In 2012, two large-scale studies showed that "only 30 percent of U.S. employees are engaged at work, and a staggeringly low 13 percent worldwide are engaged. Worse, over the past 12 years, these low numbers have barely

budged, meaning that the vast majority of employees worldwide are failing to develop and contribute at work."

Employees who don't care about their work and are not fully engaged in it aren't merely a nuisance. They're a drain on an organization's two scarcest resources: time and money. Beck and Harter observe that employee engagement is linked to "higher profitability, productivity and quality (fewer defects); lower turnover; less absenteeism and shrinkage [i.e., theft]; and fewer safety incidents. When a company raises employee engagement levels consistently across every business unit, everything gets better."

"The most important way to have people engaged in their jobs is to make sure that you've done a good job of hiring people in the first place," said Robert Pasin, CWO of Radio Flyer.

Evaluating Care

The following questions and suggestions may be useful in job interviews and performance reviews for evaluating the candidate or employee's commitment to care.

- Why do you want this job? High-character employees are dedicated to serving others, even if they're not in a service industry. They serve their clients, they serve their bosses and they serve the mission of their organizations. They're neither selfless nor self-serving. The language that they use to describe what they do indicates a strong commitment to people, so it makes sense for managers to listen carefully when job candidates or current employees explain why they want a certain position.
- Tell me about a time when you went above and beyond the call of duty at work.
- As a manager, how would you deal with employees who come to work with a cold or flu? One would hope to hear something like this: "I wouldn't allow someone with the flu to come to work. First, I wouldn't want him or her to make other people at work sick. Second, I'd want the employee to get better, which means staying home and resting. I'd find a way to get the employee's work done." ●

Courage

The space shuttle Challenger blew up in the sky on January 24, 1986. People around the world watched with horror as seven astronauts, including a schoolteacher from New Hampshire, lost their lives. In 73 seconds, a mission that was supposed to reignite a passion for space exploration turned into a horrific event that no one who watched it live on television will ever forget.

SUMMARY: THE GOOD ONES

What made this tragedy especially upsetting is that it could have been prevented. In fact, Allan McDonald did try to prevent it. McDonald worked for the company that NASA hired to make the shuttle's solid-engine rocket boosters. But a crucial component of the boosters, the dividers known as "O-rings," had never been tested at ambient temperatures below 53 degrees Fahrenheit. If the O-rings didn't seal the joints of the boosters properly, the boosters would explode and kill everyone on board the shuttle.

On the evening before the launch, the weather forecast in Cape Canaveral, Florida, called for temperatures in the teens. McDonald was concerned about the O-rings not working properly and warned NASA about the dangers of proceeding, but NASA wanted to move forward anyway. McDonald strongly protested this decision and refused to sign the document that would have allowed the project to proceed. "It's the smartest decision I ever made in my life," he said, but his boss signed for him. The launch proceeded as planned, with fatal consequences.

Wherever they work, in large or small companies and in any line of business, courageous employees have the strength of character to say and do things that need to be done. In most cases, this courage has nothing to do with physical strength. Courageous employees are willing to

- tell managers things they need to know, even though they might not want to know them
- fight for their clients and business
- do unpleasant but necessary things
- ask for help

Obstacles to courage include fear of being fired, fear of bodily harm, fear of damaging a relationship, fear of humiliation and fear that nothing good will result.

Evaluating Courage

The first two questions are courtesy of Bill Treasurer, founder of Giant Leap Consulting, Inc. and author of *Courage Goes to Work*.

- Describe a time when you had to disagree with someone in authority and stand your ground. What was the situation? How did the other person react? What did you do?
- Tell me about a time when a direct report pushed back on you and felt strongly about a position. What was the situation? What did they say, and how did you react?
- Tell me about a time when you needed to take a stand but didn't. What got in the way? What effect did the experience have on you? ●

Fairness

To be fair is to give to others their due. Fairness is sometimes discussed in terms of justice. Fair employees have a commitment to justice, especially economic justice (paying employees fairly), social justice (ensuring that the rights of employees, such as freedom from discrimination, are respected) and procedural justice (resolving disputes).

Let's now consider in practical terms what it means for high-character employees to be fair.

Hiring: The only thing that should matter about a potential employee or intern is whether he or she can do the job well. Unfair employment decisions are thus dishonorable and potentially costly. Overlooking job applicants because they have accents or because their grandparents were born in other countries is wrong for both reasons.

It is legitimate for employers to verify a candidate's eligibility to work. A person's national origin or the sound of his or her name are not within these bounds.

Raises and Promotions: Ken Meyer, HR vice president, told a story about Daphna, an employee at his organization. "During a routine review of compensation reports, Daphna noticed that a staff member got a degree and was entitled to a pay raise," Ken said. "The staffer reported the degree a year-and-a-half ago, but nothing happened. Daphna said, 'This is wrong. We have to make it right.'" She made sure that the employee got the raise and that it was retroactive to the point when he got his degree. Ken has heard of too many cases where an employee overdue for a raise did not get the back pay that Daphna fought for.

Making Job Assignments Fairly: Some friends in the business world used to complain that their bosses played favorites, giving the best assignments to the employees they liked best (who in many cases were also the most attractive ones in the department). This wasn't unfortunate: It was unfair.

The criminal-justice system has the saying, "The punishment should fit the crime." In business, when it comes to assigning employees to projects, the saying should be, "The project should fit the employee."

Evaluating Fairness

Of the 10 crucial qualities of high-character employees that we're exploring, fairness is among the most difficult to evaluate in job candidates. The questions below are a modest attempt at breaking through this barrier.

- What are your biases? The problem with this question is that it all but begs the interview subject to lie. What person who seriously wants a job or promotion will

SUMMARY: THE GOOD ONES

be specific about his or her prejudices, should they even be aware of them in the first place? Still, some answers are better than others. A round of applause goes to the interviewee who speaks of having reflected on this subject already and how he or she has worked to overcome their limitations.

- Tell me about a time when you were discriminated against. How did it affect you, and what did you do as a result? ●

Gratitude

Gratitude isn't merely a nicety of doing business. It's a powerful character trait, and although it's hard to discern, it's worth looking for in prospective and current employees. Through their generosity of spirit, grateful employees benefit clients, colleagues and the business itself. They're more satisfied, more productive and nicer to be around. It's time to recognize how important gratitude is in the life of an organization and to the people who practice it.

Gratitude is both a way of looking at the world and a way of acting in it. Grateful people recognize several things:

- We have many bounties in our lives.
- We depend on one another for these bounties.
- It's good to express our gratitude to others for how they've helped us.
- When we acknowledge their help, our benefactors feel better, and so do we.
- When we feel good, we tend to be more productive.

It's fine to want things, but it's also a good idea to look around and recognize the bounties we too easily take for granted.

But how did we get those bounties in the first place? It's tempting to think they come strictly through our own efforts, but that's not true. It's mind-boggling to think of how many others are involved in everything else we do — driving to our jobs, working in an environment protected from the elements, using furniture, eating lunch. Even if your business is manufacturing, you probably don't produce every component of the things you make.

Do those of us who are blessed to work with and for good people express our gratitude for this blessing? High-character employees do, and everyone benefits from this practice. Robert Emmons, a professor of psychology at the University of California, Davis, has shown that compared with people who don't do this regularly, grateful people sleep better, live longer and are more satisfied with their lives. They're less likely to suffer from depression,

phobias, drug and alcohol dependency and premature heart disease.

The physical benefits of gratitude mean that it is in an employer's financial interest to hire grateful people. They are less likely to miss work and run up the business's health insurance premiums. From an employer's point of view, the physical and emotional benefits make gratitude a very desirable trait in job candidates.

A study by Margaret Greenberg and Dana Arakawa at the University of Pennsylvania suggests that grateful managers may promote productivity. Greenberg and Arakawa found a positive correlation between managers who regularly recognized the work of employees and project performance.

Obstacles to Gratitude

If gratitude is such an important quality to have, why is it so hard to cultivate and express? Expressing gratitude makes us vulnerable. Acknowledging what others do for us may feel, for some, like a weakness or even a character flaw. Many cultures value the notion of pulling yourself up by your bootstraps. According to this way of thinking, all you need to become successful is willpower. Gratitude requires you to acknowledge that you cannot succeed alone, and this may feel like a form of failure.

There's also the belief that gratitude should flow in only one direction. When Carol, a senior manager, makes a habit of thanking her direct report Meg for the good work she does, everyone wins: Meg gets the praise she deserves (and the positive feelings that go along with it), clients benefit from Meg's good work, and Carol promotes and maintains a strong relationship with a valued employee.

Yet it also behooves Meg to thank her boss, whose leadership allows Meg to flourish. ●

Humility

There's a lot of misunderstanding about what humility is. The Oxford Dictionaries website defines humility as "a modest or low view of one's own importance." No wonder, then, that some people have a low view of humility itself.

But humility shouldn't be regarded as a low view of one's importance. It is, rather, an accurate view of it. It's a view of oneself that is based on reality rather than the distortion that occurs when we look at ourselves uncritically or through the fog of our own ego. We can all do without coworkers who take the credit when a project is successful. On the face of it, this behavior simply seems rude. It's

SUMMARY: THE GOOD ONES

not polite to blow your own horn, we're taught. Let others praise you. Keep your victories to yourself.

The problem, however, isn't that such coworkers are impolite: It's that they're *mistaken*. We don't accomplish great things all by ourselves. We have help every step of the way. Some of that help is behind the scenes, but it is help nevertheless.

If humility is a crucial quality of high-character employees, what happens when it is in short supply? Some of the consequences may include damage to one's reputation, being passed over for jobs and having difficulty accepting criticism.

Evaluating Humility

Humble people are, almost by definition, not disposed to call attention to their humility. Still, the discerning interviewer might use the following questions to discover the degree to which a job candidate or employee is truly humble or merely pretending to be.

- Tell me about one of your proudest accomplishments. What was it, and how did you pull it off? Astute interviewers listen carefully to how the candidate or employee answers this question. Does he focus primarily or exclusively on his own role in the achievement? Or does he talk about how others contributed to his success?
- Do you consider yourself a humble person? In considering the response, interviewers should pay attention to the way the candidate talks about colleagues, direct reports and supervisors from previous jobs. Do they talk about helping others to succeed?

Where have you seen examples of humility in action? ●

Loyalty

Hiring loyal people and creating a culture that sustains this loyalty provides a strong return on investment. According to the Great Place to Work Institute, businesses whose employees are deeply satisfied (a key indicator of loyalty) have lower turnover, better safety records, superior job applicants and stronger marketplace performance than other businesses do. Let's take a look at each of the characteristics that define loyal employees.

Loyal employees have strong emotional ties to their employers: Loyal employees are devoted to their employers, but that devotion has and should have limits. Loyalty is devotion, but not blind devotion.

Loyal employees represent their employers honorably: A second way that high-character employees

evinced loyalty to their organizations is through their conduct outside work. A member of an organization is a de facto representative of that group on and off the job. Loyal, high-character employees recognize this, even if their employer does not or cannot explicitly state it.

Loyal employees stand by their organizations...
up to a point: Loyalty to an organization need not mean making a lifetime commitment to it. It can simply be an alignment of one's behavior with the organization's values for however long one is employed. Sometimes loyalty must give way to other concerns, such as protecting clients from harm and opposing illegal or unethical activities by an employer.

Evaluating Loyalty

Length of employment doesn't necessarily correlate to loyalty. The true measure of loyalty is the employee's attitude toward the company, other employees, clients and his or her personal relationships as well as how that attitude is manifested. The following questions may help an interviewer or reviewer get a better sense of this.

- How have you responded at a previous job when a better opportunity with another employer came along? Even for someone who has just begun his or her career, loyalty doesn't necessarily mean turning down a job offer. Character is revealed by how one responds to the offer, not whether or not one accepts it.
- Has a valued employee who reported to you ever left the company because of a better opportunity elsewhere? If so, how did you respond to the employee? If not, how would you respond?
- What were some of the things you liked most about your previous (or current) job? How would a job candidate who values loyalty answer this question? Talking about a strong relationship with a previous boss is crucial. ●

Patience

High-character employees keep pushing on with their mission until they prevail. They don't allow themselves to be diverted from their path by external forces, and their persistence pays off.

Here are the four elements of patience:

Acceptance: There are some things we can change and some things we can't. To be patient is to know the difference and to act (or not act) on it.

Flexibility: An essential element of patience for Cara Lemieux, a former network news producer and digital

SUMMARY: THE GOOD ONES

communications strategist, is flexibility. Becoming more flexible in her personal life has helped Cara become more flexible in her professional role. This sometimes means taking over for colleagues who have to tend to their own personal lives.

Persistence: In the *Journal of Finance*, Steven N. Kaplan, Mark M. Klebanov and Morten Sorensen reported that in their study of over 300 CEOs of financial investment firms, the most successful ones were also the most persistent. “Persistent leaders don’t give up,” Kaplan writes. “They stick with assignments until they are done.”

Delaying Gratification: High-character employees are adept at restraining the impulses we all have for immediate satisfaction. They recognize that sometimes our impulses have to be subordinated to a higher good.

Evaluating Patience

The following questions may help employees get a better sense of a job candidate’s capacity for patience.

- Tell me about a time when something at work deeply frustrated you, but you kept calm and dealt with the problem.
- When have you lost your cool at work, and what happened as a result?
- Tell me about a project you worked on that took longer to complete than you had anticipated. What was the project, what got in the way and how did you deal with those obstacles? ●

Presence

Given the reality of today’s world, as well as our need for breaks from time to time, I propose the following definition of presence in the workplace: Presence is being committed to doing one’s work by focusing on a single task for a reasonable period of time. A “reasonable” period varies according to the task at hand and the stakes involved in completing that task.

You probably don’t want the surgeon performing your cardiac bypass to be checking her smartphone. On the other hand, if the job isn’t a life-or-death matter, it’s humane to allow an occasional respite from the steady stream of work. At the heart of presence is focus, the ability to concentrate on one thing at a time. Employees who are focused devote themselves to a single activity in a given period, resulting in more efficient work with fewer mistakes.

Listening and the Art of Being Present

One way that high-character employees demonstrate presence is by listening well. Silvia Aprosio is a human resources consultant and coach in Milan, Italy. She recently worked with a Fortune 100 company and told of what can happen when an upper-level manager doesn’t listen to a direct report. “Giulietta was charged with defining a new retail structure for the company,” Silvia said. “She spent a lot of time and effort researching the issue, writing a detailed report, and offering suggestions to Federico about how the business could improve the sales of its products in stores. Federico took none of her suggestions, and Giulietta was so upset, she screamed at him in the hallway.”

Apparently Federico had a pattern of asking for suggestions from her and then ignoring them completely. “That’s not good management,” Silvia observed. In other words, that’s not what a high-character employee would do.

Silvia recalled one of the tales from 1,001 Arabian Nights, in which a pasha (boss) dresses like a beggar and goes to a tavern to hear what others are saying about him. Silvia believes executives and others in leadership positions should take the moral of that story seriously.

The 10 character traits are qualities that smart organizations value in their job candidates, employees and managers. Doing so won’t guarantee that the people who work for a company will always make the best decisions, but it increases the likelihood that they will.

It’s time to place character front and center in our thinking about business in the 21st century. The Good Ones do. How about you? ●

RECOMMENDED READING LIST

If you liked *The Good Ones* you’ll also like:

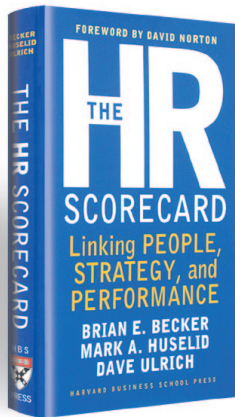
1. ***The Hidden Leader* by Scott Edinger, Laurie Sain.** Hidden leaders are the under-utilized employees who demonstrate integrity, lead through authentic relationships, focus on results, work from customer purpose and fulfill the value promise of the company.
2. ***Accountability* by Greg Bustin.** Bustin introduces the Seven Pillars of Accountability: character, unity, learning, tracking, urgency, reputation and evolution, and shows how each pillar is a crucial part of effective leadership.
3. ***Good Company* by Larry Costello, Ed Frauenheim, Laurie Bassi, Dan McMurrer.** Across the globe, people are choosing the companies in their lives in the same way they choose the guests they invite into their homes. They are demanding that companies be “good company.”

· Book 38 of 46 ·

The HR Scorecard

Brian E. Becker, Mark A. Huselid, and Dave Ulrich

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Linking People, Strategy and Performance

THE HR SCORECARD

THE SUMMARY IN BRIEF

Most CEOs and senior line managers are skeptical of the role of human resources in their companies' success. While many executives say they believe that "people are our most valuable asset," they don't understand how HR functions make that vision a reality. The root of the problem is simple: It's hard to measure the impact of HR functions on company performance and success.

The performance measures that most HR departments use don't measure HR contributions to company success. For example, as an HR manager, you may believe that having a capable and committed work force and a training system that helps your employees learn faster than the competition are true competitive advantages and part of the company's strategic plan. Yet, you most likely measure items such as total compensation, employee turnover, cost per hire and the percentage of workers who were evaluated in the last 12 months. None of these measures relate directly to employee commitment or learning — the competitive advantages you identified.

A new approach is necessary. Rather than concentrate on a bottom-up perspective emphasizing compliance and traditional HR, you must move to a top-down perspective emphasizing the implementation of strategy. You must then develop an innovative assessment system that measures HR's contribution to what matters most to CEOs: firm profitability and shareholder value.

This summary shows you how. In the following pages, you will:

- ✓ **Learn about a seven-step process that will lay the foundation for your HR department's strategic influence company-wide.**
- ✓ **Understand how to move from the seven steps to an HR Scorecard that identifies and measures the HR "deliverables" needed to make the corporate strategy work.**

The most potent action HR managers can take to ensure their strategic contribution is to develop a measurement system that convincingly showcases HR's impact on business performance.

That system is the HR Scorecard. 

CONTENTS

HR as a Strategic Partner

Page 2

Implementing HR's Strategic Role: A Seven-Step Model

Pages 3, 4

Creating The HR Scorecard

Pages 4, 5, 6

Cost Control vs. Value Creation

Page 5

Cost-Benefit Analyses For HR Interventions

Pages 6, 7

Competencies For HR Professionals

Pages 7, 8

Implementing The HR Scorecard

Page 8

THE HR SCORECARD

by Brian E. Becker, Mark A. Huselid and Dave Ulrich

— THE COMPLETE SUMMARY

HR As A Strategic Partner

After struggles with a lack of focus and billions of dollars in losses in the early 1990s, Sears' management team developed a strategy to turn the company around: For Sears to be a compelling company for investors, it had to be a compelling place to shop; for it to become a compelling place to shop, it had to become a compelling place to work.

Sears then went about validating this vision with hard data. The company developed objective measures for each "compelling" goal. For example:

- **Support for ideas and innovations helped make Sears a compelling place to work.**
- **Focusing on becoming a fun place to work helped make Sears a compelling place to shop.**

Sears then developed a series of competencies and behavioral objectives designed to reach each goal. These competencies became the foundation on which to build recruiting, training, performance and compensation structures.

So precise were the measures Sears developed that managers could say with confidence that a 5 point improvement in employee attitude drove a 1.3 point improvement in customer satisfaction, which in turn drove a .5 percent improvement in revenue growth.

HR Deliverables

The human resources function has traditionally been seen as overhead — a cost center rather than a value-creating function. However, human resources can become a valuable strategic partner that helps the company achieve its goals. The key is to identify and measure the HR "deliverables" that support corporate strategy — and the HR systems that create those deliverables. For Sears, the deliverable was making Sears a compelling place to work. The HR systems behind the transformation were recruiting, training, performance and compensation structures — for example, a reward structure that recognized employee ideas and innovations.

The HR Architecture as a Strategic Asset

If the focus of corporate strategy is to create a sustained competitive advantage, the focus of HR is to maximize its contribution to that advantage through its architecture. HR's architecture is really three dimen-

sions that make up the value chain:

- **the HR function** — made up of HR professionals with strategic competencies;
- **the HR system** — the company's high-performance, strategically aligned policies and practices; and
- **employee behaviors** — strategically focused competencies, motivations and associated behaviors.

If the focus of corporate strategy is to create a sustained competitive advantage, the focus of HR is to maximize its contribution to that advantage through its architecture.

The HR system is the linchpin of HR's strategic influence. The most effective model is a *High-Performance Work System* (HPWS). In an HPWS, each element of the HR system is designed to maximize the overall quality of human capital throughout the organization. Specifically, the HPWS:

- links its selection and promotion decisions to validated competency models;
- develops strategies that provide timely and effective support for the skills demanded by the firm's strategy;
- enacts compensation and performance management policies that attract, retain and motivate high-performance employees. ■

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Implementing HR's Strategic Role: A Seven-Step Model

For human resources to make the maximum contribution toward establishing value for your company and its shareholders, your executives and HR department managers must take the seven steps outlined below.

Step 1: Clearly Define Business Strategy

Business strategies tend to be very generic. They might be to “maximize operational efficiency” or “increase presence in international markets” or “improve productivity.” Unfortunately, these goals are so vague that employees don’t know what they are supposed to do to implement them. Here’s where HR experts step in. Once you know your company’s business strategy, focus on how to implement it. The key is to state the company’s goals in such a way that employees understand their roles, and the organization knows how to measure its success in achieving them.

Step 2: Build a Business Case for HR As a Strategic Asset

Human resource professionals need to build a clear business case for why and how HR can support the strategy. That business case must include a recommendation for the implementation or expansion of a High-Performance Work System (HPWS).

Step 3: Create a Strategy Map

Develop a strategy map that illustrates how the company creates customer value — essentially a diagram of the value chain. To draw the diagram, you need to ask a series of questions about your company’s strategic objectives, including:

- Which strategic objectives/goals/outcomes are critical?
- What are the performance drivers for each goal?
- How do we measure progress toward these goals?
- How do employees need to behave to achieve these goals?
- Does HR provide employees with the necessary competencies and behaviors?

Once you think you have a picture of the company’s value chain, translate the information into a conceptual

How HR Destroyed Value

What HR should not do is illustrated by the actions of a banking business that attempted to cut costs by moving to a part-time teller staffing model. When the company let go its full-time tellers and hired part-time ones, it looked as if it were saving money. But after a short time, it became obvious that something was wrong. When full-time management positions opened, there were few interested tellers. Hiring had to take place from the outside. The reason is that tellers attracted to part-time positions aren’t interested in management positions; by cutting its full-time staff, the company lost its most promising pool of promotion candidates.

model using language and graphics that make sense in your organization. Test for understanding and acceptance in small groups of opinion and thought leaders throughout the firm. The strategy map you create contains hypotheses about which organizational processes drive firm performance. The map might show, for example, that a *short research and development cycle* is key to the performance and success of your company.

Step 4: Identify HR Deliverables Within the Strategy Map

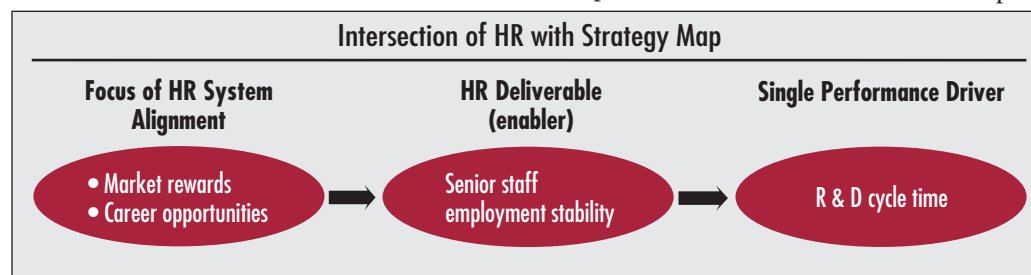
Think in terms of identifying strategic behaviors HR can deliver. For example, if your firm decides that achieving a short research and development cycle requires *employee stability* (in other words, low turnover), you will want to design HR policies that encourage stability.

Step 5: Align HR Architecture With HR Deliverables

Your company’s HR architecture must be designed to allow HR to deliver the training, recruiting and retention goals necessary for the company as a whole to achieve its strategic goals.

For example, in step 3, you identified R&D cycle time as an important performance driver. In step 4, you identified employee stability as the HR deliverable that enables that performance driver. In step 5, you might identify market rewards and career opportunities as HR system elements that ensure employee stability and thus improve

R&D cycle time. This intersection of the HR system and the company’s strategy (represented by the strategic performance driver) is illustrated at left.



(continued on page 4)

Implementing HR's Strategic Role: A Seven-Step Model

(continued from page 3)

Step 6: Design the Strategic HR Measurement System

After you have laid the groundwork, it's time to design your HR measurement system. Develop valid measures of the HR deliverables required to meet your strategic objectives. Take the example of employee stability. There are several ways stability can be measured. You will have to define who is a senior staffer (perhaps those with more than five years of professional experience) and what you mean by stability (perhaps all turnover or only voluntary turnover, but not promotions). The HR measurement system you develop will become your HR Scorecard.

Step 7: Implement Management by Measurement

Once the HR Scorecard is developed, you will have a powerful new management tool. A good example is what happened at GTE when it implemented an HR Scorecard system. GTE had always measured turnover rates, but hadn't really related those rates to the company's overall profitability. Once the Scorecard was implemented, GTE saw exactly where turnover rates were up. HR interventions were then developed to stem turnover, with dramatic improvement in overall business unit performance. ■

Creating the HR Scorecard

The HR Scorecard is a strategic HR measurement system that will help you measure, manage and improve the strategic role of your HR department.

The Scorecard consists of measurements of:

1. **HR deliverables.**
2. **HR policies, processes and practices.**
3. **HR system alignment.**
4. **HR efficiency.**

To introduce these four dimensions of the HR Scorecard, we'll use the case of a company we'll call HiTech.

HR Deliverables

HiTech wants to focus on its R&D function and explore HR's potential role in the company's strategic plan. The R&D unit has profitability goals for both revenue growth and productivity improvement. These are the two important performance drivers of its strategy.

HiTech's **revenue growth** derives from increased customer satisfaction, which is boosted by product innovation and reliable delivery schedules. Product innovation depends on experienced, talented staff in research and development. Reliable delivery depends

Cause and Effect at GTE

A good performance measurement system allows you to draw causal inferences about the relationship between a decision and a result. For example, you might need to know whether a change in the incentive system will produce a change in employee performance and if so, how much. The most commonly used measure of a statistical relationship between cause and effect is the correlation coefficient. Correlation coefficients describe the extent to which two variables change together and range from -1.00 to +1.00.

GTE's Network Services Unit hypothesized that market share was driven by customer valuation of its service, which in turn was driven by customer service quality, brand advertising and inflation. The driver for customer service was assumed to be a set of employee behaviors focusing broadly on employee engagement. Thus, GTE created an "employee engagement index" or EEI, based on seven questions from a GTE employee survey. When the data was analyzed, GTE found that a 1 percent increase in the EEI resulted in a 1/2 percent increase in customer satisfaction.

on optimal staffing levels in the manufacturing units.

HiTech's **productivity improvement** results from optimal production schedules — which also depend on optimal staffing levels in the manufacturing units.

Thus, the two HR deliverables that will support the company's strategic goals of revenue growth and productivity improvement are:

- experienced, talented staff in R&D, and
- optimal staffing levels in the manufacturing units.

HR Policies, Processes and Practices

The next question to ask yourself is, "What are the high-performing policies, processes and practices that will help generate the HR deliverables required to support my company's strategy?" The authors call the set of policies, processes and practices that specifically help to generate strategic HR deliverables a High-Performance Work System (HPWS).

To develop and keep an experienced, talented staff in R&D at HiTech, human resources must create competency-based selection methods and retention programs for prospective and current employees. This allows only talented employees to be hired. Regular performance appraisals are also important to ensure that employees are maintaining the required talent and experience level.

A short recruiting cycle — that is, the length of time

(continued on page 5)

Creating the HR Scorecard

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it takes for HR to fill vacancies — will maintain staff levels at optimal levels, the second HR deliverable.

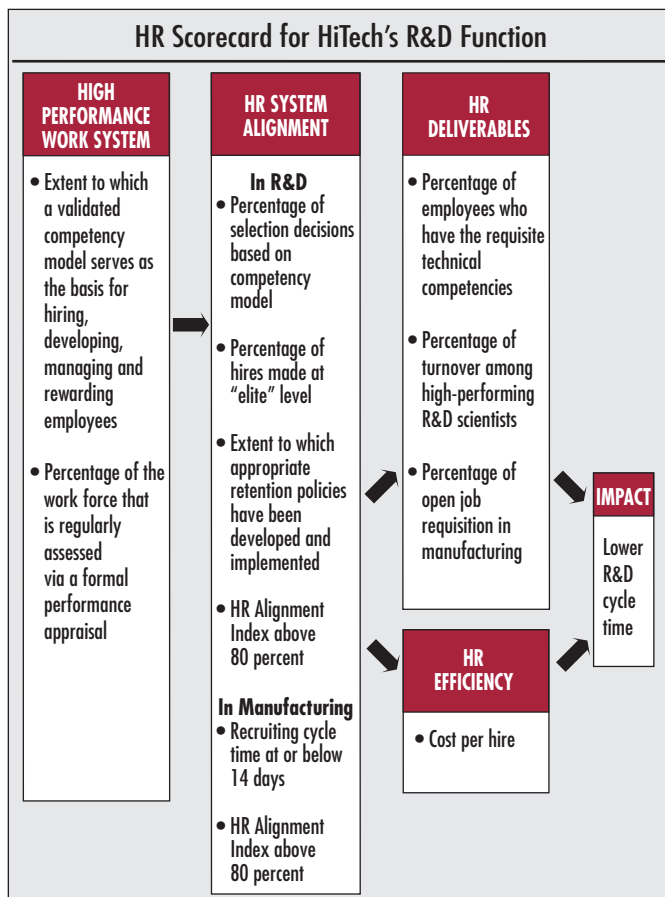
HR System Alignment

Here is where you focus on the specific elements of the system that must reinforce each other to produce the HR deliverables. For example, competency-based recruiting is essential to HiTech's strategic priorities. Therefore, HiTech can measure how well its HR system is aligned to its strategic goals by monitoring how many new employees were selected based on the competency model — and how many of those employees came in at the highest quality level.

The HR department must also provide the types of benefits that will *retain* R&D staff (thus allowing HiTech to meet its product innovation needs). And since the recruiting cycle time for the manufacturing division affects optimal staffing levels, HR must attempt to keep this cycle as short as possible.

HR Efficiency Measures

The final step in developing the measures for an HR Scorecard is to identify the exact tasks at which HR must be efficient to support the company's strategic



Cost Control vs. Value Creation

Traditionally, HR efficiency was measured by the *internal* costs it saved. Reducing HR costs, however, does not create long-term value to the organization. One reason is that the cost savings are not substantial enough to affect shareholder value. And any competitive advantage gained from an efficient HR function will be quickly lost as competitors adopt the same practices.

However, if HR helps the company's line operations to reduce costs, it is significantly contributing to the company's success. For example, if HR's efficient recruiting processes create a high-level R&D staff, which, in turn, enables the company to lead on innovation, HR has created value.

Of course, human resources can't focus exclusively on creating value while ignoring the need for internal efficiency. Your HR Scorecard needs to emphasize HR's value creation, but should be tempered by attention to efficiency. Specific, cost control comes through measuring HR deliverables, HR system alignment and the High-Performance Work System. Cost control comes through measuring HR efficiency.

goals. HiTech, for example, could identify cost per hire as a strategic measure. While cost per hire might be higher than average, this cost represents a strategic investment in the company — because the benefits of the company's hiring processes will also be higher than average.

Which Measures Go into the Scorecard?

To transform the four dimensions into an HR Scorecard, you need to determine the right measures for each dimension.

The High-Performance Work System, which is key to maximizing employees' performance, is the foundation for building HR into a strategic asset. Questions that will create **High-Performance Work System measures** to use in the Scorecard include the following:

- How many exceptional candidates did we recruit for each strategic job opening?
- To what extent has the company developed validated models for hiring, developing, managing and rewarding employees?
- How many new hires were selected based on those models?
- How many hours of training do new employees get?
- How many employees get formal performance feedback from multiple sources?

(continued on page 6)

How One Company Made HR Central to Its Strategy

When a major international consumer-products firm wanted to dramatically restructure its leadership capabilities it took four steps. First, it determined that leadership talent was a strategic requirement: The company with the best leadership talent would win in the marketplace. It then developed its own proprietary leadership competency model. The next step was to take the executive search process in-house. Finally, in support of the process, it added a powerful staffing information system that let managers rapidly and effectively identify available managerial talent. While HR departments traditionally support the search for corporate staff, this department's detailed, strategic-driven and measurable leadership search process transformed a traditional HR activity into a corporate strategic asset.

Creating the HR Scorecard

(continued from page 5)

- What percentage of employees are eligible for incentive plans and profit sharing?

The **HR system alignment measures** must be directly linked to the HR deliverables that impact company strategy. As discussed above, start by identifying the strategic HR deliverables, then identify and measure the system elements that make a significant contribution to particular HR deliverables (see chart on Page 3).

Because both the HPWS and system alignment measures are intended for internal HR use, you can simply represent the “score” of these measures as toggles on the scorecard. These toggles would indicate “satisfactory” or “unsatisfactory” in the case of HPWS measures and “alignment” or “misalignment” for system alignment measures.

When choosing **HR efficiency measures**, you must separate measures that impact a company's strategy from those that don't. *Core efficiency measures* are those HR expenditures that make no direct contribution to the company's strategy implementation, but must still be taken care of. Examples include workers' compensation cost per employee and the percent of correct entries made to the HR information system. *Strategic efficiency measures* assess the efficiency of HR activities that produce HR deliverables. Although it is important to know the costs of workers' compensation benefits and the accuracy of internal data entry, these items don't add to the overall strategic value of HR to the company. However, strategic efficiency measures, such as the cost per hire, cost per

training hour and HR expense per employee, can yield considerable strategic value.

Finally, many HR managers are tempted to think of **HR deliverables** only in terms of organizational capabilities, such as corporate leadership. However, the HR deliverables in the Scorecard can have a more concrete, measurable impact on the success of the company's strategy. HR enablers (such as employee stability) that are tied to specific performance drivers (such as R&D cycle time) make a more compelling case for HR's strategic importance. ■

Cost-Benefit Analyses For HR Interventions

A complementary process to the HR Scorecard is an HR cost benefit analysis. While the Scorecard identifies where your company's HR department wants to be to achieve strategic goals, HR cost benefit analysis helps your company choose how it will get there by looking at the Return On Investment (ROI) of HR programs and policies.

Determining the ROI of a particular HR policy or practice isn't complicated. Essentially, you need to assess the total costs and total benefits associated with the investment and then calculate benefits less costs. The challenge lies in collecting or estimating data. Costs are borne today, but benefits are most likely going to show up in the future. Come up with plausible estimates.

What to Count, What to Ignore

To generate estimates, you need to know what to count as cost and what to ignore. There are two major types of cost — fixed and variable. Fixed costs are those that don't vary with the level of production. For example, if your company has a training center, some costs associated with the building are fixed — they don't change whether you have one class a week or ten in the facility. But other costs are variable — they increase or decrease depending on how many classes use the building. It takes more electricity to run the computers and the restrooms require more supplies when usage goes up.

Again using the training center as an example, how would you estimate the cost of providing a new training program for mid-level managers? Suppose the training center is operating at 60 percent capacity and your proposed program would boost that to 80 percent? Do you take the fixed costs of running and maintaining the center and add them to your cost estimate? Using conventional accounting principles, you would. But that will increase the costs of your project and decrease the ROI. Instead, it may make more sense to just add in the additional variable costs.

(continued on page 7)

Cost-Benefit Analyses For HR Interventions

(continued from page 6)

Employee Performance

You also have to understand the financial impact of employee performance. Determining the ROI in people requires comprehending the impact of high- and low-performing employees on the firm. The question is whether, on average, employees in a particular job contribute a little or a lot to the firm's success.

Assuming employees in a category contribute to profitability, you next need to gauge the variability of the impact of employee performance on firm financial performance. For example, if the very best employees in a job category only contribute a little more than the average employee, there is no need to invest additional resources in attracting, selecting and developing people like the best employee. But if the difference on the bottom line is great, you will want to consider making the investment.

Net Present Value

Assuming you have determined that training will make an average worker into an excellent worker, you can finish calculating the ROI of your proposed training program. The hardest part of the calculation is that much of the benefit you will reap won't occur immediately. You will need to calculate the Net Present Value (NPV) of the benefit the company will reap over the years. NPV analysis draws together costs and benefits over multiple time periods, and compensation for uncertainty, lost opportunity costs, and costs of capital to assess the overall potential value of a proposed HR program.

To calculate net present value, you need to restate the program's costs and benefits (both present *and future*) in today's dollars. Then, subtract the present value of costs from the present value of benefits, to yield the net present value for the program you are proposing.

YEAR	EXPLANATION	AMOUNT	x	FACTOR	=	PRESENT VALUE
1	Program development cost	-\$250,000		1		-\$250,000
1-5	Increased wages	-\$130,000		3.433		-\$446,290
1-5	Increase in annual cash flow from operations	+\$270,000		3.433		+\$926,910
NET PRESENT VALUE:						\$280,620

Beware of Sunk Costs

Don't be so enamored of projects that you persist in pouring more assets into them only to get diminishing returns. Suppose you had begun restoring an old car and have invested \$25,000 in it. These are your sunk costs. If you sold it today, it would fetch you \$15,000, a \$10,000 loss. If you finish the car, it will cost an additional \$20,000 and be worth \$30,000 and your loss would increase to \$15,000. The same applies to programs you have begun but which are obviously not going to pay off as you expected. Don't throw more resources at the project, only to guarantee that the loss will be greater.

For example, assume that you are planning a new integrated performance management and incentive compensation program. The total program cost will be \$250,000. You estimate that the program will increase annual profits \$270,000 per year for five years. Because the program involves incentive pay, it will also increase wages by \$130,000 per year. Should you roll out the program, assuming your company's marginal cost of capital is 14 percent?

The answer is yes, since, as the calculation below shows, the net present value is \$280,620. (Note: The factors used in the calculation can be found in any introductory financial analysis textbook.) ■

Competencies For HR Professionals

How do you make sure you have the skills to implement the changes to your company's HR system and become a strategic asset? Doing so may require competencies that are new to you. Indeed, this approach to HR requires transforming the profession.

The past decade has seen the professionalization of HR. For example, the National Association for Human Resource Management now boasts more than 150,000 members. There is a certification assessment sponsored by that association, as well as graduate degrees in human resources. Underlying this movement toward professionalism are a body of knowledge, a set of expected behaviors and specific outcomes for those doing HR work. These are the core competencies HR professionals need.

Competence refers to an individual's knowledge, skills, abilities and personality characteristics that directly influence his or her job performance. HR competencies can be broadly classified into five categories.

(continued on page 8)

Competencies For HR Professionals

(continued from page 7)

These are:

Knowledge of the Business. HR professionals must understand how the company they work for operates. That understanding lets you adapt HR activities to changing business conditions. Only by knowing the financial, strategic, technological and organizational capabilities of your organization can you play a valuable role in strategic discussions. You don't have to have the ability to manage all these business functions, but you must at least understand them.

Delivery of HR Practices. HR professionals at the very least must be experts in their specialty. Knowing and being able to deliver state-of-the-art, innovative HR practices builds your credibility and respect. You must continually update your knowledge and skills, and adapt what you learn to your organization's unique needs and strategy.

Management of Change. Another essential skill for HR professionals is the ability to manage change. You need to be able to refocus your organization and the HR department in response to new strategic directions. To orchestrate change, you must be able to diagnose problems, build relationships, articulate a vision, set a leadership agenda, solve problems and implement goals.

Management of Culture. Companies with strong cultures (measured as the extent to which employees share the values of the firm) achieve higher performance than those with weak cultures. HR professionals are keepers of the culture because the systems they implement for employee selection, training, promotion and reward determine whether the company's culture remains or becomes strong.

Personal Credibility. In addition, HR professionals must have personal credibility by living their company's values. These values typically include openness, candor, the ability to be a team player, the capacity to treat individuals with respect, a concern for due process and an insistence on the highest performance for HR executives and their staffs. In short, you must build a high level of trust.

Strategic HR Performance Management: A New HR Competency

A new competency can be added to the five basic ones outlined above. That competency is *Strategic HR Performance Management*. It is defined as the ability to orchestrate a company's strategy implementation through the use of balanced performance measurement systems. It is essentially measurement-led management.

To build this competency, human resource managers

must understand strategic measurement along two dimensions. They must know what to measure and how to measure it. The "what" is strategy implementation. The "how" is the technical process of measurements. You will need to:

- **Exercise critical causal thinking as you develop hypotheses about what creates value for the company.**
 - **Understand principles of good measurement.**
 - **Estimate causal relationships between HR and form performance.**
 - **Communicate HR strategic performance results to senior line managers.**
-

Implementing The HR Scorecard

Developing an HR Scorecard and actually implementing one are two different things. You will need to build acceptance of the Scorecard within your organization. Change is difficult to implement in any organization. Most problems occur not from misunderstanding of what to do, but from a lack of discipline about how to do what needs doing.

Here are seven guidelines for the successful implementation of your Scorecard:

Leading Change. You will need to enlist two sponsors — a line manager and the head of HR. You will also need someone on the team who specializes in HR measurement and an advisory team to supervise the work.

Creating a Shared Need. You must create a business case for the use of the Scorecard. Share this with line management and the HR department and allocate between 3 percent and 5 percent of the HR budget to measurements.

Shape a Vision. You must articulate the desired outcome of using the Scorecard by preparing the key measures to be tracked. Define decisions that will be made based on the measures, and figure out how you will collect the data needed for the measurements.

Mobilize Commitment. Identify the key players whose support you need and engage them.

Build Enabling Systems. Put the right people on the project, give them incentives, have them report to the right people, and invest in the technology needed.

Monitor and Demonstrate Progress. Develop a project plan.

Make It Last. Start with simple measures, make them visible, post the results and change the measures as required by changing conditions. ■

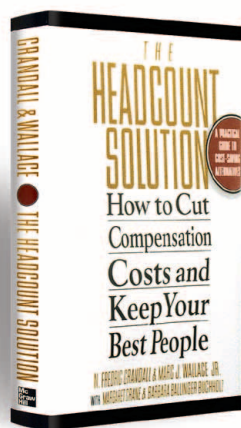
· Book 39 of 46 ·

The Headcount Solution

N. Fredric Crandall and Marc J. Wallace Jr.

SOUNDVIEW Executive Book Summaries®

FILE: HANDS-ON MANAGEMENT



By N. Fredric Crandall & Marc J. Wallace Jr. with Margaret Crane and Barbara Ballinger Buchholz

CONTENTS

Step 1: Prepare Your Organization for What's In Store

Page 2

Step 2: Plan for Three Rounds of Compensation Cost-Cutting

Pages 2, 3, 4

Step 3: Decide Whom to Cut and Whom to Keep

Page 4

Step 4: Implement Across-the-Board Cuts

Pages 4, 5

Step 5: Implement Alternative Work Arrangements

Pages 5, 6

Step 6: Implement Layoffs

Pages 6, 7, 8

Step 7: Help Survivors Cope and Get Back to Business

Page 8

How to Cut Compensation Costs and Keep Your Best People

THE HEADCOUNT SOLUTION

THE SUMMARY IN BRIEF

Almost every company will someday face a crisis that requires cost reductions that cannot be remedied by simply cutting back on office supplies. Real cost reductions often require drastic measures, and to many leaders, "drastic measures" equal "layoffs." In truth, layoffs should be the last resort of any company requiring deep cost-cutting measures.

The authors of The Headcount Solution present a seven-step plan for cutting compensation costs. In this plan, summarized below and explained in detail in the following pages, layoffs are just the third of three cost-cutting strategies. If layoffs become necessary, the authors provide hints on treating employees with respect and dignity, and keeping valuable employees in the organization.

The Headcount Solution shows how to make cost-cutting decisions count, and quickly get your business on the road to recovery. Turn the page to begin the first of the seven steps to effective compensation cost reductions.

What You'll Learn In This Summary

The Headcount Solution involves the following seven steps:

- ✓ **Prepare** your organization for what's in store.
- ✓ **Plan** for three rounds of compensation cost cutting.
- ✓ **Decide** whom to cut and whom to keep, using objective criteria and real business data.
- ✓ **Implement across-the-board cuts** in several key areas in an effort to significantly reduce the number of layoffs.
- ✓ **Implement alternative work arrangements** — including job sharing, contracting arrangements, furloughed off-site net workers, and temporary assignments for strategic projects.
- ✓ **Implement layoffs** as a last resort, and do so in a way that preserves the workers' dignity and hireability, and sets your organization back on a path to success.
- ✓ **Help survivors cope** — move forward and get back to business as quickly as possible.

THE HEADCOUNT SOLUTION

by N. Fredric Crandall and Marc J. Wallace Jr. with Margaret Crane and Barbara Ballinger Buchholz

— THE COMPLETE SUMMARY

Step 1: Prepare Your Organization For What's in Store

Once the senior leadership of a company recognizes the full extent of its business crisis and its associated cost-cutting measures, they must communicate the seriousness of the situation to the organization. Such communication requires time and effort, but it needs to be done quickly, thoroughly and accurately to counteract the rumors and distrust that typically accompany uncertainty.

Five Guidelines for Delivering the News

The following guidelines can make sharing bad news less stressful, for both managers and employees:

- **Communicate frequently**, to get employees in the habit of hearing about changes in the organization. Cost cutting is easiest if employees understand why the changes are necessary, how many will be affected, in which areas and departments, and at what levels. Some organizations find direct, one-on-one communication between management and employees to best serve their needs in these situations; others prefer broadcast options, such as e-mail; still others combine direct and indirect communications to provide employees with as much information as they can handle.

- **Devise a clear, consistent communications plan** to disseminate news to the entire organization, negating the spread and influence of rumors. Make sure your organization has an “official” news source—a single spokesperson or department—tasked with getting the right messages to the right people at the right time. You should also have a communications action plan that establishes the appropriate protocols and channels through which information is disseminated.

- **Decide whether a member of the Human Resources department or a company attorney should be present**, in the case of job cuts. Determine whether you require the expertise of a legal or HR professional when delivering bad news. Some companies swear by the practice, while others claim it sets the wrong tone.

- **Provide the facts needed** and never make a

promise that cannot be kept 100 percent. Telling the truth to employees always works best, whether the news to be shared is good or bad. To exaggerate or understate the way things are can result in lost trust of leadership, disengagement from the company, low morale, and decreased productivity.

- **Follow up by periodically checking the pulse of employees** and seeing whether survivors continue to remain with the company. Walk around and speak with your employees, to find out how they feel not only on days when messages are delivered, but also afterward and on a continuing basis. ■

For Additional Information on putting together a communications action plan, go to: <http://my.summary.com>

Step 2: Plan for Three Rounds Of Compensation Cost Cutting

Whether caused by a downturn in the economy or the need to turn around a troubled company, the single most pressing demand on managers is to cut costs quickly. While one knee-jerk reaction would be to initiate layoffs immediately, taking such action can be detrimental to an organization in many ways.

The headcount solution calls for a cost-cutting strategy that consists of three rounds:

Round 1: Across-the-board cuts (Cutting costs without laying off people).

(continued on page 3)

The authors: N. Fredric Crandall, Ph.D., and Marc J. Wallace Jr., Ph.D. are founding partners of the Center for Workforce Effectiveness. Margaret Crane and Barbara Ballinger Buchholz are business journalists and authors.

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Find out more about the Headcount Solution at www.TheHeadcountSolution.com.

For Additional Information on what not to do when delivering bad news, go to: <http://my.summary.com>

For Additional Information on the authors, go to: <http://my.summary.com>

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Step 2: Plan for Three Rounds Of Compensation Cost-Cutting

(continued from page 2)

Round 2: Alternative work arrangements (Finding alternatives to traditional employment that enable the company to cut compensation costs, yet hold onto mission-critical talent).

Round 3: Layoffs (If costs remain to be cut after the first two rounds, laying off those employees necessary to achieve the cost-cutting requirement).

Round 1: Across-the-Board Cuts

The first step in your cost-cutting strategy requires that you list your current compensation costs — such as salary costs, salary/benefits costs, overtime, and so forth. Determine then what cost-cutting steps you can take to avoid laying off people. This requires planning — it cannot be done overnight. You might, for example, offer an early retirement package to employees who meet certain criteria. You can cut out overtime, or reduce perquisites and annual salary increases and bonuses.

When making these Round 1 cuts, you must keep the following in mind:

- Be explicit about when costs will come out. Will it be all this year, or spread out over a longer period of time?
- Do not violate any employment laws, regulations or contracts when taking out the costs.
- Communicate why the costs are coming out, and what benefits the company will see as a result.
- Identify costs that will not only come out now, but ones that will stay out indefinitely.
- Establish conditions under which removed costs can be reinstated, when appropriate.

Round 2: Alternative Work Arrangements

The second step in cost-cutting requires that you look for alternatives to traditional employment that enable you to remove compensation costs, yet retain the talent you need to meet business objectives. You might implement job sharing (if people are willing); bring in employees on an independent contractor basis; move people off-site, or allow them to work from home; or get employees to agree to work on a temporary or special assignment basis.

Round 3: Layoffs

The last resort to reducing operating costs is a layoff. By laying off employees, you receive the benefit of compensation cost reduction, but you run the risk of losing the talent you need to run your business. Indeed, there are both short- and long-term costs and cost savings to balance:

Best Practices for Downsizing

Following the seven steps in the headcount solution will not only reduce layoffs, it will also ensure that your company has gone through the appropriate actions required to retain critical human capital, and will lead you on the road to a healthy rebound and recovery.

Indeed, the companies researched by the authors who employed the headcount solution exhibited a number of best practices in times of cost cutting and downsizing. Among those practices are the following:

- Begin with a simple and direct plan. Clearly state where the company is headed and how it will resolve the crisis.
- Make sure senior leadership is capable and committed. Senior leadership must participate actively in the headcount solution, and must ante up sufficient resources to see it through.
- Create incentives to motivate and keep people through the crisis. Give people the incentive (cash, when available) to reach the goals of your recovery plan.
- Make any compensation cuts across-the-board. Sacrifices should not be relegated to staff; leadership must be willing to take a hit as well.
- Follow all legal and regulatory guidelines. Legal violations in corporate cost cutting are almost always caused by sloppiness. Be vigilant.
- Include employees in the cost-cutting process. They often will have great ideas that would not occur to management.
- Act boldly, quickly and decisively. You cannot avoid issues and succeed. Waste no time trying to get around the inevitable—face it and move forward as quickly and efficiently as possible.
- Motivate your survivors. Set a positive example for those who remain after a layoff.

Short-term savings and costs. There are immediate benefits as you save on salary, benefits, incentives, and bonuses. There is, however, a price to pay in the fulfillment of obligations to the laid off employee, such as accrued vacation, outplacement service costs, severance and benefit continuation, and other real costs.

Long-term savings and costs. When the cost crisis is over, layoffs diminish excessive employment costs, yet few companies that lay off employees experience long-term benefit as a result of the employment cost reduction. When you let employees leave, you let their experience and expertise leave as well. You lose the investment (in training, customer relationships, and so forth) that your company has made in the employee, and incur additional costs to replace their presence on your team.

(continued on page 4)

Step 2: Plan for Three Rounds Of Compensation Cost-Cutting

(continued from page 3)

Think Before You Cut

As a manager and leader, you must recognize that, even in the short run, you will pay some cost to lay off staff; those costs could, however, pale in comparison to the long-term detriment your company sees as a result of letting people go. ■

For Additional Information on long-term costs, go to: <http://my.summary.com>

Step 3: Decide Whom to Cut And Whom to Keep

The goal of the headcount solution is to remove costs while holding on to the talent needed to make the company thrive again. Thus, once you've planned for the three rounds of compensation cost-cutting, you must then decide whom to cut and whom to keep. The decision is best made in three steps:

Step 1: Establish Human Capital Priorities

When faced with the pressure to lay off staff, you must first consider the needs of your company and what is in its best interests. With regard to human capital, you must quickly determine who is needed to keep your organization up and running.

Compile a list of strategic competencies your organization needs, then define the critical activities needed to accomplish your objectives. For example, if your business is tasked with delivering technology solutions, the critical activities in which your employees engage may include programming, operating system maintenance, network administration and the like. Use these competencies to assess employees and to make the tough choices about who goes and who stays.

Decide first who has the skills needed to maintain your organization's mission; who, within that group are your best performers; and who are long-term contributors. From these lists, select the people who should be cut, and the ones who should be kept.

Step 2: Determine the Appropriate Combination Of Alternative Work Arrangements and Layoffs

Your second step is to determine what alternative work arrangements are practical, in conjunction with layoffs, to result in the needed cost reductions and retention of human capital. Alternative work arrangements include job sharing, contracting arrangements, telecommuting and part-time special/temporary assignments.

When considering alternative work arrangements, you must make several considerations:

- Determine whether you're free to implement such arrangements without needing to go through a lot of red tape.
- Determine whether you have sufficient resources to implement a given arrangement quickly.
- Determine whether there is significant cost savings associated with a given option.
- Prioritize the alternative arrangements in order of feasibility.

Step 3: Match People with Employment Choices

Once you've decided what alternative work arrangements might work for your company, the final step is to match each of your employees with one of six employment options: retain the person as a full-time employee; job share; contractor; telecommuter; special/temporary assignment; and layoff.

Consider the transaction cost associated with each option listed — what percentage of an employee's salary it will cost to place him or her in a specific alternative work option. For example, a layoff might cost a quarter of an employee's annual salary, to cover severance, accrued vacation, and so forth.

Next, determine the net cost savings for each action. You will need specific information about the employee (current pay, performance ratings, job assignment, etc.) and the action in question (the needs required of each, costs, and so on). Assess the employee's proficiency in needed skills, and determine from that bulk of data how much will be saved by placing specific employees into specific assignments.

Once you have an idea into which categories employees will fall, you are ready to implement the three rounds of compensation cost-cutting, beginning with across-the-board cuts. ■

For Additional Information on guidelines for human capital decisions, go to: <http://my.summary.com>

Step 4: Implement Across-the-Board Cuts

When facing a need to reduce operating costs, the first round of compensation cost cutting should concentrate on areas that impact broad groups of employees, rather than target specific staff. Layoffs should not be part of the picture at this early stage—they are disruptive and take time to implement properly.

Instead, consider implementing one or more of the

(continued on page 5)

Step 4: Implement Across-the-Board Cuts

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following ten across-the-board cost-cutting measures:

- **Voluntary severance.** Perhaps some of your employees have considered leaving the company, but resisted the idea for lack of push and funds. Such an incentive would provide them with both, while saving your company some compensation costs. You must, however, be aware of legal and regulatory issues surrounding such an offer.
- **Early retirement.** Offering an “early out” accelerates an employee’s benefits related to retirement.
- **Shorter work week.** Reduce hours to be worked, and reduce base pay accordingly.
- **Mandatory pay cut.** Require everyone—even senior and executive leadership—to take an across-the-board cut in pay.
- **Stock options in lieu of pay.** Stock options can offer an incentive to remain in a company, particularly if a rebound is expected.

Engaging Employees In Cost Cutting

Jennifer Edwards, director of human resources for World Now (a provider of Internet technology and revenue solutions) notes that her firm asked employees for cost-cutting ideas. Management felt that engaging employees in the decision-making process would result in changes with greater buy-in across the board. Teams of employees went off-site and brainstormed ideas to either generate more revenue or to reduce costs. Initial ideas were then researched, and the best 15 were sent to management and put into place immediately.

For example, the company had been outsourcing projects such as printing collateral materials. Because the firm designs Web sites, staff reasoned, why not leverage the expertise of the in-house creative team and manage the process internally? Savings were also shaved from off-site team-building retreats. Rather than spend thousands of dollars on such meetings, the company found less expensive, creative ways to get everyone together and maintain its culture, on a less expensive scale.

Because World Now engaged its employees in initial rounds of cost cutting, their solutions generated interest, motivation, and buy-in from the people most capable of putting those strategies into action.

- **Reduction of perquisites.** Cut out company cars, expense accounts, retreats, travel and so forth.
- **Reduction or elimination of 401(k) contribution.** Reduce the dollar contribution and/or match to qualified retirement plans.
- **Reduction or suspension of annual pay increases.** Cancel all or part of a planned merit or across-the-board pay increase.
- **Reduction or suspension of bonuses and incentives.** Replace planned bonuses with bonuses contingent on turning around the business.
- **Hiring freeze.** Suspend hiring, but keep your eyes out for good people, with the understanding that once the company’s situation improves, applicants will be considered. ■

For Additional Information on regulatory issues,
go to: <http://my.summary.com>

Step 5: Implement Alternative Work Arrangements

Alternative work arrangements allow a company to retain critical human capital and at the same time reduce compensation costs. The results of such arrangements can be very rewarding and motivating to employees; it also helps the employer maintain its skill base and avoid separation transaction costs.

As stated earlier, alternative work arrangements tend to fall under four categories: job sharing, contracting arrangements, telecommuters, and special/temporary assignments.

Job/Skill Sharing

Job sharing and/or skill sharing involves reducing staff members to part-time status with the sharing of responsibilities and duties for a single job function. Job sharers must collaborate and communicate with one another, and can complete work on a common site or through telecommuting. Job sharing works best in any position or department, where work can be split between two or more individuals in a reasonable way.

The company benefits because the people and their skill sets remain in the company, while reducing the costs of compensation. Employees get to continue their income (at a reduced level) and maintain the relationship with their employer. They also get to learn new skill sets and post for other, full-time assignments, as those assignments become available. The cost to the employee is a reduction in salary.

(continued on page 6)

Step 5: Implement Alternative Work Arrangements

(continued from page 5)

Contracting Arrangements

Companies use contracting arrangements where there is a service that can be provided to an organization by an independent person, agency, or organization, more economically than employing the resources directly. Contracting arrangements are reasonable for services in areas such as accounting, human resources, marketing, or any other function where expertise is specialized and can be externally supplied.

Companies like contracting arrangements because they provide continuity of important services and maintenance of company-specific knowledge. Employees benefit because they continue to draw income from the company while maintaining their skill sets. Costs for employees, however, include loss of regular employment status and the expenses incurred when running a contract business.

Furloughed Off-Site Net Workers (Part-time Telecommuters)

Telecommunications technology makes it possible for staff to telecommute from home, checking in from time to time and remaining on call for short-term assignments or consultations. When not working, the employee is free to pursue other work assignments outside the company, within the boundaries of a noncompetition agreement.

The company benefits because it gets to retain critical skills and competencies, at the cost of an “on call employee” and some basic setup expenses, to get the employee “connected” from home. Employees, while dealing with reduced income, maintain the relationship with the company and are able to expand their professional networks by performing work for others.

Temporary Assignments

Companies can staff for strategic projects with employees with specialized skills, all on an “assignment” basis. Employees lose their regular jobs, but not their employment; in essence, “employment” becomes a series of part-time project assignments, with the employee filling the role of in-house consultant.

Once again, the company retains critical human capital at a reduced cost, and their important projects do not fall by the wayside. Employees replace their previous job with assignment status and reduced income, but they get to maintain their relationship with the company.

What to Expect

Alternative work arrangements should soften the blow of reductions and keep key people and skills needed for

Accenture Innovates With FlexLeave

The consulting firm Accenture offered its employees an alternative work arrangement when it needed to cut costs. Workers had the chance to take a sabbatical at a nonprofit organization of their choice. For the company, this idea (dubbed “FlexLeave”) was an innovative but risky way to cut costs and retain employee talent. The program began as a pilot for U.S. employees who had been with the company for at least 12 months. Roughly 1,200 of 17,000 eligible employees signed on for the opportunity. Although they received only 20 percent of their salary, they continued to receive benefits and have use of company laptops.

the company to thrive in the future. Some improvements you should expect include the following:

Sharp reduction in short-term separation costs.

Every job saved will reduce separation costs by as much as 25 percent of annual salary.

Higher morale replacing fear and anxiety. You stand a much better chance of “rallying the troops” when you display the desire to maintain a core collection of people to succeed in the short and long term.

Reduction in future hiring and staffing costs. By keeping key people and skills now, future ramp-up costs drop significantly. ■

Step 6: Implement Layoffs

When all other cost-cutting measures have been taken and there are still financial problems to address, layoffs become a necessary evil.

Layoffs do not have to be acrimonious, if companies are upfront and honest about the reasons they are necessary, and if they follow all effective procedural rules and legal regulations. The company should lay off staff in such a way that the employees severed are not embarrassed in front of colleagues when they have to pack up and walk out of their offices and the company with their belongings.

Aside from these considerations, mishandling a layoff can result in huge costs to the company, both tangible and intangible. These may include expensive lawsuits, sabotage, and even violence in the workplace among disgruntled employees.

To deal with terminated employees in a humane, straightforward and effective way, observe the following rules:

(continued on page 7)

Step 6: Implement Layoffs

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Rule 1: Communicate in a Dignified and Respectful Way

Laying off an employee should be done with tact and dignity, to show that the company values its employees in bad times as well as in good times. Managers should make every attempt to not burn bridges; when it's time to ramp up again, the company might want to re-hire some of the staff it laid off. This means, in addition to offering a reasonable severance package, management should not bad-mouth a terminated worker, do anything that can be construed as illegal, or close the door to future employment.

Planning is also key. Companies that do not perform adequate planning for layoffs run the risk of letting essential personnel walk out the door. This could render that talent gone for good, or it could require the company to rehire or bring employees back on a contract basis, often costing the organization even more in compensation than it was paying previously.

Rule 2: Carefully Choose the Place and Time To Conduct the Layoff

Choosing the place and time for the termination discussion is a critical factor in the lasting impression made on those who will leave, and it contributes to the quality and dignity of the experience. Some companies prefer to tackle layoffs in one-to-one sessions; others prefer to communicate with a group of employees.

There are pros and cons inherent to both approaches. Individual meetings enable you to effectively and directly communicate with an employee, if the person communicating the news has the skill and presence of mind to keep the discussion on track and professional. Many companies have human resources or legal representatives present at such meetings, to avoid future claims. Also, the potential for confrontation increases considerably in one-on-one situations.

Group meetings enable you to deliver a consistent message to a number of people; they don't, however, provide for one-on-one contact. The more impersonal the setting, the greater the likelihood affected employees will experience distaste and sense of disrespect for the proceedings, and for the company in general.

Timing is important, as well. Timing can range from immediate notification with the requirement to leave the premises, to providing days to weeks of advance notice. There is no hard-and-fast rule for advance notice timing—much depends on the culture of the company, its current situation and its prior experience. A company that has a close and personal relationship with its

Proactive Damage Control

After a company conducts a layoff, the fallout can be damaging to the corporate image, notably with customers, suppliers, the community, and other persons and entities near and dear to the company's business. Companies that decide to deal head-on with the fallout from a layoff must explain to the public at large what is happening, by sending out press releases to all available wire services, newspapers, magazines, trade associations, customers, and any other appropriate sources. The release should cover the following:

- ✓ Why the layoff is needed
- ✓ When it will happen
- ✓ What the affect will be on revenue, profits, and new products and services
- ✓ How many employees will be cut (now and in the future)
- ✓ Whether management will undergo a change
- ✓ What other repercussions will result (hiring freezes, pay cuts, etc.)
- ✓ What the morale is of management and staff, and what will be done to improve it

employees should carefully consider the long-term implications of changing its “face” to employees in a layoff situation.

Rule 3: Be Careful What You Say in a One-on-One Discussion

Most companies script their layoff discussion, or have professional staff present the news to employees. The reason for this is simple — the organization must ensure nothing is said that would haunt the company later. Managers involved in these discussions should not make promises they can't keep, such as hinting at hopes to rehire employees if the company has made no known provision for such a thing. They should not answer questions off-the-cuff, if they are unsure of the answers. They should also, at all costs, avoid confrontation with employees.

Rule 4: Abide by Legal and Regulatory Guidelines

There are definite ways to avoid legal pitfalls. Before conducting layoffs, compile a list of who is to be laid off, secure personal evaluations and other relevant data regarding those on the list, determine final severance packages far in advance, know and abide by federal and state regulations, and be sure the criteria used to prepare for the layoffs are uniform throughout the company. In other words, construct a plan that benefits rather than

(continued on page 8)

Step 6: Implement Layoffs

(continued from page 7)

hurts the company. Be fair, open, and honest toward employees, keeping your organization's reputation intact and avoiding the pitfalls of costly legal battles. Among these pitfalls are the following:

- **Worker Adjustment and Retraining Act (WARN).** If a plant closing is imminent and involves layoffs, the federal WARN act protects employees from plant closings and layoffs without notice. You must give at least 60 days notice to affected employees, their representatives, and state and local officials, if you intend to shut down your facility, resulting in unemployment during any 30-day period for 50 or more employees. You are covered under WARN if you employ at least 100 full-time workers on staff.

- **Employee discrimination.** The Equal Employment Opportunity Commission (EEOC) protects employees against unlawful discrimination in cases of layoffs and terminations. Regardless of how many employees are laid off, your company must use uniform criteria and be able to defend those criteria in making layoff selections. If your layoff affects one group more than others disproportionately, you should scrutinize its provisions under the regulations set forth by the EEOC.

- **Older Workers Benefit Protection Act (OWBPA).** This provision requires companies to communicate with older employees regarding their rights when offering severance or early retirement packages. When employees are offered these special severance arrangements, they should be asked to sign a waiver absolving your company from future claim on employment discrimination.

- **Unions.** Federal laws protect unions and their collective bargaining agreements. Employers cannot nullify valid contracts, and must follow the provisions specified in those contracts for layoffs. Most collective bargaining agreements require layoffs in reverse seniority, resulting in the inability on the company's part to retain workers with superior skills but less seniority.

Rule 5: Immediately Attend to Survivors

The patience of top performing employees who remain after the layoffs can wear thin if they are subjected to successive additional layoffs after the initial one. Retaining talented survivors is likely to be more difficult with each successive cut. Good employees will see the writing on the wall, and will address their insecurity by finding work elsewhere.

To build credibility after a layoff or a second or third round of cuts, company leaders should take three steps:

- Continue frequent communications regarding progress the company is making.
- Support the communication with rewards and

recognition for top performers.

- Begin rebuilding on the valued knowledge and skill remaining in the company. ■

Step 7: Help Survivors Cope And Get Back to Business

Companies will be shocked and shaken by cost cutting and reductions in force, but there are steps to take to regain momentum and rebuild. After conducting cost-cutting measures, take control of the situation and turn the corner to recovery by doing the following:

- Do not forget the needs of the survivors. Offer your survivors outlets to express their feelings and treat them with honesty and integrity. Make sure they know they're valuable to your business.

- Concentrate on rebuilding employee loyalty and morale. Continue to communicate with your employees, provide incentives, and reward your top performers, even after the crisis is over.

- Be creative with work assignments. Emphasize new opportunities that have the potential for long-term profitable growth. Focus on your organization's strengths and bolster them with human capital.

- Create ways to keep laid-off employees connected to the company. Try to bring back those laid off as soon as possible, once the company turns around financially. Massive layoffs translate to lost sales if demand ramps up quickly and you do not have the personnel to meet that demand. ■

How to Bolster Human Capital

When searching for creative ways to keep employees engaged through alternative work assignments, consider the following:

- ✓ **Take the opportunity to cross-train employees.** Allow employees new opportunities to learn and test their skills, building on the foundation of their existing knowledge by providing training and experience in a new area.

- ✓ **Shift the focus to results.** Alternative work arrangements shift from paying people for their time at a desk to paying for what is produced. Employees don't have to be visible or working a 40-hour week to do what needs to be done; they can produce on their own, if properly motivated.

- ✓ **Jump-start projects.** Put creative people in teams to tackle a development or improvement project.

- ✓ **Lead with optimism.** Senior leadership should balance current problems against the future for the company and anticipate a successful turnaround.

· Book 40 of 46 ·

The Inclusion Breakthrough



The Inclusion Breakthrough

Unleashing the Real Power of Diversity

THE SUMMARY IN BRIEF

All groups possess the inherent potential of diversity, but to truly leverage it you need inclusion.

Many attempts at making diversity work inside organizations have failed. Human resources experts Frederick A. Miller and Judith H. Katz wrote *The Inclusion Breakthrough* to help create an image of what real success can look like. They write about what could be — what is available to organizations if they allow and enable themselves to flourish, to grow and to come together and do their best work.

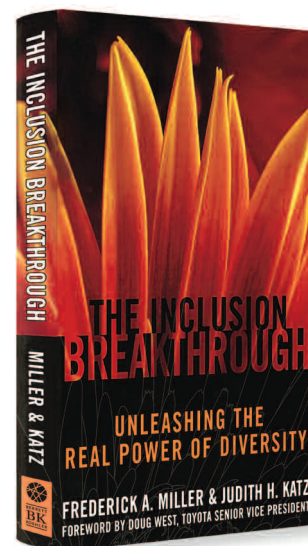
The Inclusion Breakthrough represents what Miller and Katz have learned from their work during the past 30 years with a wide range of industries, from long-established manufacturing and service organizations to entrepreneurial startups, from Fortune 500 companies to nonprofit foundations, from city and county governments to school districts, colleges and universities, and from individual coaching sessions and small-scale educational events to 100,000-person system-wide interventions.

What has emerged from their work is a methodology for change and creating organizational breakthroughs. *The Inclusion Breakthrough* is their effort to capture the insights, experiences, frameworks and interventions from their decades of real-world experiences.

According to management guru Ken Blanchard, “*The Inclusion Breakthrough* is a ‘must-read’ for organizations that want to move diversity work to a new level.”

IN THIS SUMMARY, YOU WILL LEARN:

- How to build the platform for change.
- How to create momentum in your organization.
- How to make diversity and inclusion a way of life.
- How to leverage learning and challenge the new status quo.



by Frederick A. Miller
and Judith H. Katz

CONTENTS

Part 1: The Need for an Inclusion Breakthrough
Page 2

Positioning for Radical Change
Page 3

Part 2: The Elements of An Inclusion Breakthrough
Page 4

Leveraging a Diverse Work Force
Page 5

Part 3: Creating An Inclusion Breakthrough
Page 6

Building the Platform for Change
Page 7

THE COMPLETE SUMMARY: THE INCLUSION BREAKTHROUGH

by Frederick A. Miller and Judith H. Katz

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PART 1: THE NEED FOR AN INCLUSION BREAKTHROUGH

Organizations today are being forced to live by their wits. Their survival depends on their ability to out-think their competition, which can only be accomplished by catalyzing the intellectual resources of their people into creative new solutions. A single person's brilliance or a single group's point of view is no longer enough to sustain an organization's growth in the face of global competition. Tomorrow's successful organizations will be those that harness the collective and synergistic brilliance of all their people, not just an elite few. The stock-market stars will be the organizations that capitalize on the diversity of their work force.

But capitalizing on diversity requires more than simply hiring a diverse work force. Radical changes are also needed in both the structure and culture of most organizations — in their policies and practices, the skills and styles of their leaders and the day-to-day interactions among all their people.

Many organizations will fail to make these changes because they seem too radical. Those organizations will not survive. To many people and most organizations, diversity seems like a problem, not a solution. Differences are to be avoided, not embraced and utilized. Age-old hierarchies, traditions and biases must not be questioned or examined. To make these changes to embrace and capitalize on diversity will require a true breakthrough — an Inclusion Breakthrough.

The first step is to ensure that diversity is seen as mission critical. When the current and future success of the

organization is tied directly to the need for diversity, it becomes a powerful tool for organizational change and higher performance. ●

Diversity in a Box

Each person is a unique individual who also belongs to several different social identity groups. A wide range of differences can exist even among people who look, sound and act alike. This *Paradox of Diversity* is a way of framing diversity that captures one's similarities and differences.

We are like all people: As human beings we share similar needs and wants — to experience joy and love, to be safe, etc.

We are like some people: We share culture and experience.

We are like no other people: We are each unique unto ourselves.

The aspects of ourselves that are like some other people constitutes our connection to specific social identity groups, those with which we share similarities, such as age or living in a particular region. But we don't necessarily identify with each group to which we belong, such as — "people with red hair" or "people who drive a Toyota convertible." Regardless of whether or not we identify with a particular group, others might put us in it because the identification has meaning to them, such as — "people who attended Cornell" or "people who live in the Bronx."



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Rebecca S. Clement, Publisher; Sarah T. Dayton, Editor in Chief; Andrew Clancy, Senior Editor; Amanda Langen, Graphic Designer; Chris Lauer, Contributing Editor

Summary: THE INCLUSION BREAKTHROUGH

Bailey Jackson was one of the first people to identify that some differences matter more than others. Those that make the biggest difference are ethnicity, gender, marital status (and children), race, sexual orientation, language, physical ability, socioeconomic status, religion and mental ability. These differences can affect the hiring process. Many people and organizations claim they are color blind, gender blind or blind to differences. Although they consider this stance to be a positive attribute, it implies a disregard for differences. Many people have been raised to see differences as a deficit and therefore assume that differences will cease to be problematic if they are ignored.

Unfortunately, most organizations end up with a *diversity in a box strategy*. They see diversity as getting in the way of success by forcing the organization to do something it doesn't want to do. Or they see it as an issue to be managed, shaping it and getting it to "fit" in the existing structure of the organization. The result is either a singular focus on representation and awareness or ignoring the issue altogether.

Radical Change Is Required

Creating a culture of inclusion requires radical change. But the improvements that result from the change are equally radical. People must learn to work differently — every project team scans the organization to make sure it has the best and most diverse team for the job. Instead of disagreements in meetings that lead to strained compromises or avoidance, disagreements lead to better decisions based on a more complete vision of the problem and possible solutions. Work assignments are made with consideration for outside-of-work responsibilities, so people freely give their whole selves without worrying about their jobs consuming their lives. Members of the organization and customers feel loyalty to the organization because of the quality of its products and services and its social, environmental and commercial values. ●

Positioning for Radical Change

The most critical component of any effort to change culture is positioning the organization and its leaders to create and support the change. When an organization's leaders understand that leveraging diversity and building a culture of inclusion is mission critical and that every dimension of the organization will be affected, big questions arise. "How can we make changes of this scope, intensity and depth?" "Where do we start?" "How can we ensure success?"

Eleven Inclusive Behaviors

The key competencies for creating an Inclusion Breakthrough begin with 11 Inclusive Behaviors:

- All individuals must learn to greet others authentically.
- Individuals must create a sense of safety for themselves and their team members.
- In a truly inclusive environment misunderstandings are addressed and disagreements resolved as soon as possible.
- Team members must take the time to listen, listen, listen and respond when people share their ideas, thoughts and perspectives.
- Everyone must communicate clearly, directly and honestly.
- Everyone on the team needs to understand the group's tasks and how each task relates to the mission of the organization.
- Every person on the team has a contribution to make, so make sure all voices are heard.
- Ask other team members to share their thoughts and experiences, and accept all frames of reference.
- Notice the behavior of each person on the team and speak up if you think people are being excluded.
- Make careful choices about when the team will meet and what it will work on.
- And finally, be brave.

In the course of answering these questions, an organization must position the effort so that leaders are leading. People take their cues from those at the top. They watch to see whether leaders believe that they have a stake in the change, whether they are investing their time and energy toward making the change and whether they are aligned with each other as they move forward with their efforts. Senior executives often do not expect the effort to require their personal involvement. However, although change can start anywhere in an organization, it can succeed only if it is led from the top. Leaders need to know how ready the organization is for change and understand its scope and boundaries.

Making High Performance a Way of Life

When the organization recognizes that leveraging diversity and inclusion is crucial to its overall success, it moves the effort from a loose collection of best practices to an organizational strategy to improve performance. It becomes a *way of life* in the organization. The way of life model outlines that journey through five levels of development.

Summary: THE INCLUSION BREAKTHROUGH

Level one: Developing individual awareness.

The implied benefit and desired outcome is to change the way people see difference.

Level two: Implementing various diversity and inclusion programs and activities. At this point, organizations may institute additional programs, such as mentoring, support networks, high-potential career development and targeted recruiting.

Level three: Combining programs and activities into an initiative. The various elements of the diversity work are evaluated and those activities that fit with the strategic intent of the organization are knitted together into a diversity initiative.

Level four: Linking and aligning the initiatives into the strategic work of the organization. This means integrating new competencies and practices into all of the organization's other major strategies and initiatives: leadership, quality, mergers and acquisitions, strategic alliances, downsizing or re-engineering.

Level five: A way of doing business. As an organization unleashes the synergies gained from integrating its leveraging diversity and inclusion efforts with its strategic goals, it can measure the benefits in new or improved processes and outcomes. ●

PART 2: THE ELEMENTS OF AN INCLUSION BREAKTHROUGH

Some organizations talk about the bold actions needed to unleash the potential of their work force and about capitalizing on diversity to deliver higher value to the marketplace. Few, however, attempt to use differences as strategic assets critical to maximizing competitive advantage. Even fewer take advantage of the opportunities diversity provides for the work force, marketplace, community and customers. Leveraging diversity creates the opportunity to improve everyone's performance, enhancing the organization's capability to innovate, and serve all its customers and constituents, and succeed in the 21st century.

The inclusion breakthrough cycle examines key components for leveraging diversity and creating a culture of inclusion by focusing on five key elements:

- New competencies.
- Enabling policies and practices.
- Leveraging a diverse work force.
- Community and social responsibility.
- Enhanced value to a diverse marketplace. ●

New Competencies

Today's organizations must function in an increasingly competitive marketplace that shifts constantly without warning or apology. Faced with intensifying global competition, organizations are being forced to perform more efficiently and effectively. They need to solve problems, execute decisions and serve customers faster, at lower costs and with less waste. They must improve every aspect of their organization every day. Such change cannot be incremental — it must happen quickly, and it must provide for a breakthrough in how the organization functions.

An inclusion breakthrough calls for a new sense of *we* — a sense of “we are all in this together” and “we are not all the same ... and our differences are critical for our success.” In today's organizations, new competencies are required both for leading and following, and, like a computer, these new competencies must be continually upgraded and expanded just to stay current.

As leveraging diversity becomes the means for achieving higher performance, all members of the organization — not just the leaders — must acquire competencies for building inclusion.

External forces. Changes in the external environment require organizations to change and adjust their portfolios of competencies rapidly. Those external factors — new laws, regulations and industry shifts — are an invitation for organizations to do new things not only out of necessity but also to improve efficiencies and the overall environment of the workplace.

Working in an inclusive work culture. Team leaders must figure out how to address needs and issues such as:

- Accommodating a Muslim worker who requests time off for prayer during the day.
- Finding a TTD and interpreters for a worker who is deaf.
- Responding to people's requests to telecommute or go on a more flexible work schedule.
- Addressing the concerns of single people who feel that they are asked too frequently to cover for people who have families, and who believe their work and personal life balance is not considered.
- Communicating and working effectively with someone who has newly immigrated to the country and for whom the dominant language is not his or her first language.

New definitions of competence. Senior leaders, team leaders and team members must possess competencies that support a culture of inclusion and translate that into higher performance. ●

Enabling Policies and Practices

No matter how stringently an organization requires people to learn new sets of competencies and behaviors, no significant or sustainable change will occur unless the organization's established rules, written and unwritten, also change.

What gets measured, monitored and rewarded is what matters. It follows, then, that new competencies must be integrated into performance reviews, evaluations, developmental plans, merit rewards and recognition programs. In the absence of these enabling and accountability mechanisms, people will not have any tangible reason to change or face consequences for their noncompliance or defiance. Unless the inclusion breakthrough is integrated into the organization's policies and practices, the new required competencies will be relegated to a wish list.

Organization G was hit with a class-action suit, charging the organization with systematic performance appraisal and career-pathing bias against people of color and white women. An independent study of performance appraisals and promotion records showed that people of color and white women consistently received lower performance ratings than those received by white men, particularly when the managers conducting the appraisals were white men. Even when performance appraisals were similar across gender and racial lines, people of color and white women were not promoted as rapidly as their white male counterparts. Interviews with managers revealed that many gave higher scores to people with whom they had personal relationships, socialized more often and were more comfortable.

Allegations Lead to Multi-Million-Dollar Settlement

Although there were very few allegations of overt racism or sexism, the damage from these comfort-based appraisals were tangible enough for Organization G to agree to a multi-million-dollar settlement. Although the cost of the settlement was substantial, the incalculable cost of the problem — decades of preventing many people from giving their best efforts and a work force in upheaval — was even greater.

To sustain an inclusion breakthrough and create the desired new culture, it is essential that all aspects of the organization's policies and practices be aligned with the new set of competencies. Without such alignment, it is hard to unleash the real power of diversity. These policies and practices must support the aspired-to culture and connect the inclusion breakthrough to the mission, vision and values of the organization. ●

Leveraging a Diverse Work Force

Most organizations believe that having a diverse work force in itself will create value. In reality, having a diverse work force is just having an under-leveraged asset unless there is strategic intent to unleash that diversity with the critical elements to support it. Less than that results in nothing more than a diversity in a box effort.

Strategies that focus on minimizing conflicts and other possible negative consequences of bringing different kinds of people together — are nothing more than status-quo strategies that maintain diversity in a box. To leverage diversity — to yield greater engagement, interaction, stimulation and exploration of a wider range of possible solutions — disagreements and conflicts must be addressed.

Leveraging Diversity Means Differences Are Not Ignored

Leveraging diversity means that differences are not ignored. When diversity is leveraged, innovation and creativity take hold from the sharing of new and different ideas, from the ability to create a new synthesis emerging from diverging points of views.

Organizations need people who are willing to bring new and different perspectives and skills. Perhaps even more, they need their current people to be willing and able to act in new and different ways. In a society that has made life difficult and dangerous for people who are new or different, this continues to be a major challenge for many U.S.-based individuals and organizations. As the work force becomes more diverse, the response from most organizations is to try to manage diversity, to contain it and keep it in a box. When people are forced to assimilate to keep their differences private and hidden, fitting in becomes their primary task. Just as important as building on what they have in common, creating workplaces that enable people to voice and build upon their differences is also essential.

By undertaking an inclusion breakthrough and creating an environment in which all people are encouraged and supported to do their best work, individually and collectively, an organization sets itself up to become the magnet for the talent upon which its future depends. ●

Community and Social Responsibility

In the past few years, many organizations have come to recognize the strategic advantage of being socially responsible and investing in their local communities.

Summary: THE INCLUSION BREAKTHROUGH

An effective inclusion breakthrough strategy cannot focus solely within the walls of the organization. To thrive, companies must develop beneficial partnerships with the people, organizations and communities that provide them with their work force, customers, suppliers and distributors. They need healthy communities in which talented people will choose to live — communities with effective schools, breathable air, safe drinking water and uncontaminated food. They need a healthy overall economy in which their products and services can find thriving markets. They need a social and a physical environment that will sustain them over the long haul, not just until the day after the next quarter's financial reports are posted.

How to Be a Socially Responsible Enterprise

There are almost as many meanings to being a socially responsible enterprise as there are organizations. For some, it might mean raising the pay scale from minimum wage to a livable wage. It might mean investing in the community for sound schools or working with police and government officials for a safe community. For others, it might mean improving environmental practices.

A growing, worldwide movement holds organizations, especially large corporations, accountable for the effect they have on the world around them. In response, many companies are addressing their environmental and social policies and practices, including the effect they have on various social identity groups in the communities they serve.

In addressing a worldwide Mobil diversity forum in 1999, Lou Noto, former CEO of Mobil, said, "Successful organizations need successful communities. You cannot have a viable organization if you do not have a viable community." Accordingly, many organizations have taken the notion of investing in the local community to heart.

Progressive and forward-thinking business leaders are looking at all the communities where their organizations' facilities are located, not just affluent communities but also those struggling to survive. They are seeking investment in these communities not as a handout or public relations ploy but as a hard-edged necessity. As Whirlpool CEO David Whitwam said at a meeting of Michigan's Council for World Class Communities, "Unless our communities can attract the kind of people we want working in our company, our company cannot survive." ●

Enhanced Value to the Marketplace

As organizations start to reach out to a wider spectrum of customers, many continue to do so from a perspective that makes representation the goal and diversity something to be managed, tolerated or used as a tool to highlight certain opportunities. Some organizations may consider the diverse segments of the marketplace as niches rather than as core to business success, and see diversity through the lens of the box, as ancillary and not central to the organizations' definition of the marketplace.

One common misconception of the expanding opportunities offered by a diverse marketplace is that these opportunities exist primarily in other countries. Too often, a focus on global diversity overlooks the chance to capitalize on the diversity that exists in the organization's home country.

Enormous, Untapped Opportunity to Serve

There is an enormous, untapped opportunity to serve African American markets, the Latino and Asian American markets — the two fastest-growing demographic market segments in the United States — the lesbian and gay markets, the deaf culture market, the women's market and other social-identity-group markets. Just as organizations have segmented their traditional market — white men based on age, education and income — there is an enormous benefit to delve deeper into the differentiation of populations and to see the market opportunities waiting to be explored.

Organizations that are good at interacting and partnering with people of different social identity groups and the diverse elements in each identity group are in the best position to connect with these market segments. But to make the most of this advantage, people with those competencies must be in positions of authority and influence, included in the core processes of the organization and able to provide input into organizational policies and practices. ●

PART 3: CREATING AN INCLUSION BREAKTHROUGH

Every organization is different. A rigid formula for change cannot be applied successfully. The methodology for an inclusion breakthrough is designed to be not a road map, but a series of signposts. The route each organization takes depends on its size, hierarchy, infrastructure, people, leadership and history. It provides tools for identifying themes and issues that prevent the people of an organization from doing their best work. And it

Summary: THE INCLUSION BREAKTHROUGH

offers guidelines for addressing those issues in ways that will lead to sustainable success. Ultimately, it is designed to create an inclusion breakthrough — an environment in which every member of the organization can add value and enhance the organization's performance and competitive advantage for today and tomorrow.

The methodology is composed of four phases: building a platform for change, creating momentum, making diversity and inclusion a way of life and challenging the new status quo.

Although we present the phases sequentially, the components need not be implemented in this manner. Whereas some actions and strategies may be implemented only after certain resources and competencies have been developed, others may be carried out simultaneously. The methodology is flexible and adaptable to the needs of each organization. In different organizations, different interventions may be required at different stages, and some parts of some organizations will move at different paces. Therefore, those implementing the methodology must be flexible and adaptable as well.

These strategies are predicated on four essential building blocks of effective change:

- **Leverage:** Find and develop the most effective actions and points of opportunity to gain the maximum payoff from each action undertaken.
- **Linkage:** Coordinate and connect all organizational initiatives and activities so that they work together to create a total that is greater than the sum of its parts.
- **Leadership:** Equip both formal and informal leaders of the organization with the education and skills training needed to live and model an organizational culture that leverages diversity and builds inclusion.
- **Learning:** Recognize the process of change as an act of continuous discovery. ●

Building the Platform for Change

Phase I of the technology for creating an inclusion breakthrough focuses on identifying, developing and aligning resources and positioning the effort for implementation. It is the time for finding allies and partners and for laying the groundwork for change. In many ways, the most difficult part of the effort occurs before ever moving to the Phase I action items. Whether as an individual or as a group, taking the career-threatening risk of standing up and advocating for change requires a great deal of courage. That is what is required before real change can begin.

Change can start anywhere in an organization: in middle management, among line workers or in the human resources department. But for any change effort to be effective, have a lasting effect on an organization and be truly transforming — in other words, to be an inclusion breakthrough — it must be led and modeled from the top. Only the organization's senior executives can provide the commitment, resources and credibility required to convince people in the organization to stop behaving in the ways they have always behaved and to start adopting new, unfamiliar ways that may initially feel awkward, embarrassing and risky. Unless senior executives live the behaviors, values and attitudes of the inclusion breakthrough as the organization's new way of life, the rest of the organization will continue to follow the old ways. ●

Creating Momentum

Phase I of mobilizing for an inclusion breakthrough focuses on identifying, developing and aligning resources, and positioning the effort for implementation. As the more action-oriented Phase II gets under way, it is important to create momentum in the organization by emphasizing the mission critical nature of the process.

This is the time to make clear to everyone in the organization that life is going to change. Leaders of the effort must be prepared to be more visible. They must be ready to model the competencies and behaviors that they want to encourage in others and be prepared for the feedback, verbal and nonverbal, given to all pioneers of change. There will be new expectations, required competencies, and ways of behaving and working together.

In developing the initial 12-to-18 month plan for implementing organization-wide culture change, the inclusion breakthrough leadership team should focus on building and sustaining momentum to make it happen. The elements of Phase II should be incorporated into the plan, including the strategies and actions that emerge from the data feedback process. ●

Making Diversity and Inclusion a Way of Life

After the organization has built a platform for change and created momentum for the change effort, the leaders of the inclusion breakthrough are positioned to apply what they have learned about leveraging diversity, building inclusion and strategic culture change to accomplish goals they could not have defined before embarking on the effort.

Summary: THE INCLUSION BREAKTHROUGH

Key to developing an expanded and longer-term plan for achieving and sustaining the inclusion breakthrough is leveraging the new competencies, resources and organizational capabilities that have been gained since Phase I. They make a new realm of strategies possible. More significantly, they make a new realm of strategies *doable*.

Central to Phase III of the methodology is developing strategies that link the inclusion breakthrough to all of the organization's operations and process-improvement initiatives. Such strategies include applying inclusion-oriented competencies to achieve breakthrough transformations in customer service, product design and market-development planning. The starting point may be a culture change effort, but the results include a repositioning of the organization's products and services for a more sustainable future. ●

Leveraging Learning and Challenging the New Status Quo

Phase IV of the methodology to achieve an inclusion breakthrough might be described as "Going Forward Back to Phase I." To sustain the inclusion breakthrough, it must be continually recreated. Even a highly diverse group can grow static and overly comfortable with the new status quo unless it constantly strives to increase and leverage its diversity and expand its parameters of inclusion.

Just as the strategies of Phase III cannot be formed or implemented until the lessons of Phases I and II have been experienced and learned, the strategies of Phase IV use what has been learned from the first three phases to evaluate the progress to date and reassess the needs of the organization in light of the changes in perspective and circumstance since the start of the inclusion breakthrough.

Another key to the success of the inclusion breakthrough is the understanding that unforeseen issues will arise. The organization's senior leaders must build in the flexibility to deal with these unexpected issues as they arise.

Communicate Accomplishments Internally and Externally

Going public is necessary to maximize the full benefits of the inclusion breakthrough. To attract talented people from the broadest spectrum of backgrounds, having the right stuff is not enough. An organization must also be known as a place of opportunity for growth and success, financially and professionally, with a culture that welcomes people's passions.

Continuous Improvement and Continuous Change

Unleashing the real power of diversity is not about just adding on to business as usual — there is no such thing as steady state. The inclusion breakthrough is about continuous improvement and continuous change, the capability to respond to an ever-shifting and continually changing environment and having a wealth of resources capable of responding to that environment. And it continually raises the bar — as customers receive more, they expect more from both the organization and others they come in contact with, demanding that organizations meet and exceed their expectations.

To achieve this status, an organization must pursue a course of strategic visibility, seeking to raise public awareness of its workplace practices and accomplishments, especially among the people it wants to attract. ●

Conclusion: Breaking Out of the Box

To bring about the inclusion breakthrough in your organization, you have to start by making one within yourself. To lead an inclusion breakthrough effort, you must commit yourself to constant learning and growing. Part of creating a safe environment for growth and change is making it safe for people to experiment and to know that each step informs the next — to allow for mistakes, to deal with obstacles and to identify new opportunities along the way. It takes both patience and a sense of urgency to achieve a breakthrough: patience to position all the right elements and urgency for execution. Getting an inclusion breakthrough effort launched is really just the first step of the journey. To succeed and survive on this journey, you and others must be committed to the potential of all people in the organization and the positive power of their combined efforts. ●

RECOMMENDED READING LIST

If you liked *The Inclusion Breakthrough*, you'll also like:

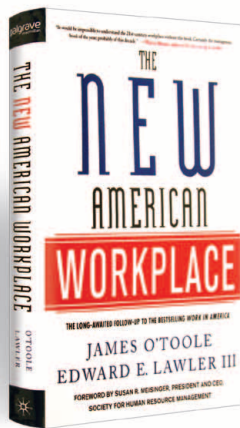
1. ***The 2020 Workplace* by Jean Meister and Karie Willyerd.** Packed with insights, this book is a useful guide to help you and your organization create tomorrow's workplace of choice.
2. ***Who* by Geoff Smart and Randy Street.** Geoff Smart and Randy Street provide a simple, practical and effective solution for the single biggest problem in business today: unsuccessful hiring.
3. ***Working GlobeSmart* by Ernest Gundling.** Gundling presents a toolkit of the 12 global people skills that international managers, or anyone working with global partners, must acquire.

· Book 41 of 46 ·

The New American Workplace

James O'Tool and Edward E. Lawler III

SOUNDVIEW Executive Book Summaries®

FILE: PERSONNEL/
HUMAN RESOURCES

By James O'Toole and
Edward E. Lawler III

Riding the Wave of the Global Economy

THE NEW AMERICAN WORKPLACE

THE SUMMARY IN BRIEF

The U.S. government's Work in America report received national acclaim and front-page coverage in media across the United States when it was published 30 years ago. Since then, the American workplace has undergone tremendous changes, from the growth of globalization to the dramatic decline in job security for the average worker.

In The New American Workplace, the long-awaited follow-up to the bestselling Work in America, authors James O'Toole and Edward E. Lawler III provide a comprehensive, authoritative picture of the state of the workplace today. They offer a definitive look at the major choices faced by individuals, organizations and governments, and outline practical actions that allow workers and employers to take greater control of their destinies. In addition to chronicling U.S. workplace changes, they examine the factors underlying these developments, detail their impact on workers and explore future workplace scenarios for both workers and the organizations that employ them.

Based on decades of research by hundreds of leading management scholars, this summary presents a wide-ranging look at the hot-button issues that define work in America today.

In addition, this summary will also show you:

- ✓ *How the growing use of information technology affects the workplace.*
- ✓ *What employers and employees should know about offshoring, outsourcing and downsizing.*
- ✓ *How High-Involvement companies address the increasing struggle of individuals to achieve work/life balance.*
- ✓ *What the growth of contract and part-time work, and other forms of contingent employment mean to individuals and companies.*
- ✓ *How employee participation in decision making, profits and stock ownership affects growth and productivity.*

CONTENTS

Work in America

Pages 2, 3

Changes in the American Workplace

Pages 4, 5

Consequences for the American Worker

Pages 5, 6, 7

Addressing the Issues

Page 6

Choices and Future Directions

Pages 7, 8

Public Policy Reforms for the United States

Page 7

The Future of the American Workplace

Page 8

THE NEW AMERICAN WORKPLACE

by James O'Toole and Edward E. Lawler III

— THE COMPLETE SUMMARY

Work in America

It is now widely recognized that a new global economy is emerging. It is characterized by the transnational flow of capital, goods, services and labor; by greater national specialization and increased competition across borders; and by the use of new technologies that radically disrupt traditional ways of doing business.

In seeking competitive advantage, the United States has targeted a niche for itself at the top of the world economy: It has opted to use the highest technology, to have the most capital- and knowledge-intensive industries, and to produce the highest quality and highest value-added goods and services.

Surfing the crest of this giant wave is not easy: To maintain its prosperity, the U.S. economy must be in a state of constant change, driven by a process of "creative destruction." Inefficient products, companies and entire industries continually need to be replaced by new ones employing evermore complex processes.

And the nation's industrial knowledge base needs to be enhanced constantly to yield the high profit margins required by the new standards of international finance.

What must be done in private workplaces and public institutions to make the nation's competitive strategy succeed in the long term? If the United States wishes to continue to be the world's leading economic power, what workplace practices and public policies are required to ensure that it succeeds?

These solutions must serve both the well-being of employees and the effectiveness of their employing organizations in the belief that doing one without the other is not viable in the long run.

What Do Workers Want?

Decades of research establish the fact that three major human needs can be satisfied by gainful employment:

1. The need for the basic economic resources and security essential to lead good lives.
2. The need to do meaningful work and the opportunity to grow and develop as a person.
3. The need for supportive relationships.

Good work satisfies all three of these fundamental needs.

Tangible Rewards and Social Relationships

It is critical to keep in mind the distinctions among these three types of employment needs — the extrinsic tangible rewards, the work itself and social relationships — and to understand that jobs satisfying the requirements of one, or even two, of these needs may not satisfy them all. For example, a job may pay well but, at the same time, be dull and unfulfilling. A truly fascinating job may pay poorly, and a well-paying, intrinsically interesting job may be overseen by an abusive supervisor.

The relative importance of each of the three types of needs varies dramatically from worker to worker. But all three needs must be satisfied before most people will say they have a "good job." Indeed, for most workers, whichever need is unmet on the job becomes the one they are most concerned about fulfilling next.

Research shows that satisfying the needs of Americans for good jobs is important, if not essential, for the prosperity, health and social well-being of the nation. By all accepted standards, the world's wealthiest nations offer their citizens a preponderance of good jobs, while the economies of the poorest nations are characterized by bad jobs.

(continued on page 3)

The authors: James O'Toole was the principal author of the federal governments' *Work in America* report. He is the author of 14 books on management and leadership, including *Creating the Good Life*. He holds a doctorate in social anthropology from Oxford University.

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Work in America

(continued from page 2)

Because work is a major source of identity, status, fulfillment and meaning, a sufficient supply of jobs is necessary for individual psychological and physical health. The costs of an insufficient supply of good work include a declining standard of living, a lower quality of life, increased social conflict, the loss of America's unique standing in the world as the leading economic power, and an inability to attract human and financial capital from around the world.

The Nature of Workplaces Today

There are three emerging management models that are becoming dominant in the economy.

1. Low-Cost Operators. These include large grocery, discount, fast-food and mall-store chains. To keep prices as low as possible, managers of these Low-Cost (LC) companies have developed a business model focused on continually reducing all the costs of their operations.

2. Global Competitor Corporations. Characterized by their enormous size and geographic reach, Global Competitor (GC) corporations compete in terms of the financial capital, skills, knowledge and technology they are able to command. They are the glamour companies of the age: industry leaders in information and telecommunications technology, consumer products, pharmaceuticals and biomedicine, financial and professional services and media and entertainment.

3. High-Involvement Companies. The High-Involvement (HI) companies are found in many, if not most, industries (although their numbers are relatively few in comparison to LC and GC companies). HI organizations offer workers challenging and enriched jobs, a say in the management of their own tasks and a commitment to low turnover and few layoffs.

Major Themes

While analyzing how these three types of American corporations are managed, and the consequences for American workers, the nation's economy and society, researchers found the following key themes running through the research they examined:

● **Insufficient creation of new “good jobs.”** Today, fewer than 10 percent of American workers are employed in manufacturing, down from about 25 percent in the early 1970s.

● **Increased choice and risk.** Workers today face a wider array of choices than ever before. Most American workers are bearing increased risk compared to the workers of previous generations.

● **Increased influence of competitive and economic drivers.** The decisions employers make about the pay,

benefits, and working conditions they offer are increasingly driven by competitive and financial considerations.

● **Increased tension between work and family life.** Among lower-paid workers, the cause of this tension is that two parents increasingly need to work long hours to make ends meet. For professionals and executives alike, work has increasingly become a 24/7 activity.

● **Mismatch between skills and business needs.** The primary and secondary educational system in the United States is failing to provide the skills millions of workers need to escape minimum-wage and dead-end employment.

● **Increased social stratification based largely on educational attainment.** In terms of real wages, executives and technically skilled workers have fared spectacularly in recent years, and college graduates, in general, have fared well relative to the rest of the labor force, at least until recently.

● **Changing nature of careers.** Almost all young, educated people today expect to work for multiple employers, to move back and forth between work and education and between work and family responsibilities, and, perhaps, never to retire.

● **Reduction in community and commitment.** The new employment contracts found in GC corporations and the high rates of employee turnover characteristic of LC operators have reduced the opportunity for workers to satisfy their needs for belonging to supportive workplace communities.

● **Shortcomings of the health care system.** The high and growing costs of health insurance are driving countless business decisions, causing companies and industries to be unprofitable, putting American exporters at competitive disadvantages in world markets, discouraging the creation of jobs and leading to the export of others.

● **The boomer demographic imperative.** In the near future there may be a shortage of skilled workers, a shortage of jobs for older workers who cannot afford to retire, a rapid decline in the demand for goods and services as baby boomers retire with insufficient incomes, steady economic growth as they continue to make economic contributions well into their 70s and 80s, the end of retirement as we know it, a demand for increased immigration or all, some or none of the above.

● **Unrealized opportunities to make more effective use of human capital.** Current workplace practices, such as the use of contingent and part-time workers, preferences for younger over older workers, underfunding of training, growing gaps between the salaries and benefits of executives and average employees, and a 24/7 working environment, appear to be having negative effects on worker turnover, motivation, loyalty and job satisfaction. ■

For additional information on how work satisfaction is changing in America, go to: <http://my.summary.com>

Changes in the American Workplace

The emergence of a global economy has had a transformational impact on American corporations, forcing many to reinvent themselves to meet increasing competition from overseas. To continually improve their performance, large American businesses now organize with an eye toward being able to change products and strategies rapidly. In many cases, U.S. companies have established operations around the globe.

In the 1970s, corporations largely were owned by individual shareholders; today, the dominant stockholders are financial institutions — in particular, private- and public-sector employee pension funds. This change has led to a reconceptualization of corporate capitalism, the most profound consequence of which has been Wall Street's heightened emphasis on short-term performance.

Completing this shift has been a transformation in economic values in which the responsibility of publicly traded corporations to create shareholder wealth now takes precedence over their responsibilities to other stakeholders, in particular, to their employees.

Global Competitor Organizations

The quintessential manifestation of this new global economic order is the emergence of the Global Competitor organization, the corporate model built to change. This new mode of structuring and managing organizations has enormous consequences for the people who work in them. In creating GC organizations, executives are reconfiguring the American workplace. As a result, employees are working longer and harder, and expectations about their performance have increased.

Sound and prudent corporate and national policy must be based on thorough analysis of all the relevant facts, open-minded consideration of all the alternatives available, and with regard to the potential consequences for all constituencies affected.

The Nature of Organizations

There is evidence that the combination of the three external forces of change — globalization, technology and the focus on performance — have led to significant increases in national productivity. Economists calculate that U.S. productivity increased 72 percent between 1973 and 2003. But this growth was not achieved at a steady rate. The best explanation for the recent acceleration is the combined impact of information technology and several organizational changes: Machines have replaced workers in much of what is left of American domestic manufacturing; many lower-paid jobs have been eliminated and replaced by fewer higher-skilled, higher-paid jobs; and the number of employees on the

payrolls of large manufacturing corporations has shrunk as business has increased.

Despite the recent surge in productivity growth, the United States nonetheless now ranks eighth in the world in national productivity, down from its commanding first place in 1973. This drop is significant because productivity growth is perhaps the single clearest indicator of a nation's economic health.

The wealth generated by productivity growth is essential to fund future job creation and such national programs as Social Security and Medicare. The challenge is to upgrade the education and skills of American workers so that more can participate in the shift to the good jobs being created in GC and HI companies, and to improve the management of those companies so that they will create even more good jobs in the future. Steps also must be taken to address the basic needs of workers left behind in this era of transformation and disruption.

The Work Itself

The routine and repetitive jobs prevalent in the early 1970s were symbolized — not necessarily accurately — in the popular press by work on assembly lines.

Over the next quarter century, multiple forces conspired to transform American manufacturing, the most profound of which was automation. In addition, three waves of domestic workplace reform — employee involvement, total quality management (TQM) and reengineering — were introduced at about the same time as manufacturing jobs that couldn't be automated or reformed were being exported.

Employee Involvement

When managers give workers authority over their work and then reward them for doing the right thing, they address basic human needs for recognition, control and belonging, needs that are more important determinants of employee morale and performance than are the physical conditions of work. Particularly when people work together — as opposed to being separate cogs in a machine — social bonds are formed that lead to cooperation and a desire to help each other succeed.

Throughout the 1980s and into the 1990s, most U.S. manufacturing companies — and many service providers, as well — adopted or experimented with self-managing work teams to cut payroll costs and/or to enrich jobs. In most cases, such efforts led to increased employee motivation and to lower levels of turnover, absenteeism and stress-related illness.

Total Quality Management

The total quality management (TQM) movement had its origins in American munitions factories during World War II and, ironically, was adopted later by Japanese

(continued on page 5)

Changes in the American Workplace

(continued from page 4)

manufacturers. What came to be known as “Japanese management” in the 1970s and 1980s was actually a variation on the far-sighted quality techniques developed in the 1940s by American statisticians Joseph M. Duran and W. Edwards Deming.

By sharing operating information with shop-floor workers and teaching them the statistical techniques needed to be self-managing with regard to quality control, “Deming’s way” encouraged workers to think like managers, thus creating a sense of mutual interest between the two.

The TQM system involves a number of practices that influence the nature of work, the most highly publicized of which is “quality circles,” a method designed to facilitate employee problem solving related to the development and implementation of quality processes. Quality circles are a form of employee involvement; however, the level and scope of that involvement falls far short of the authority invested in self-managing teams.

Reengineering and Offshoring

In the 1990s, the reengineering movement focused on reducing costs by eliminating unnecessary steps in work processes and, in particular, by eliminating unnecessary layers of management. Like employee involvement and TQM before it, reengineering faded partly as a result of its success: Reducing unnecessary layers of management has become an accepted practice in almost all large organizations today.

U.S. companies send key operations offshore to take advantage of lower wages paid in other countries, do tasks Americans are unwilling to do, make use of special skills found elsewhere and gain access to local markets. Regardless of why companies send work offshore, the practice almost always affects the nature of work remaining in the United States.

Offshoring, when coupled with the effects of information technology, is having a profound effect on the nature of work being done by Americans. And when those effects are added to the cumulative impact of employee involvement, TQM and reengineering, the result is a reshaping of many, if not most, domestic jobs.

There is some evidence that the combined effect of these changes has been to improve the nature of work in America. According to data from a national survey of American workers from 1977 and 2002, Americans today feel they have more freedom and opportunities to learn on the job and do more meaningful work than they did in the 1970s. ■

Consequences for the American Worker

As the workplace has been transformed over the last three decades, the consequences for American workers have been as mixed as the nation’s work force is diverse.

With regard to their chances of finding good jobs and careers, there is a growing chasm between those workers with higher educations and those who are less educated. Older and less-educated men experience shorter job tenure and lower relative compensation than in the past. In contrast, better-educated women are earning more and have improved career prospects. The incomes of people with similar demographic characteristics now vary considerably, in contrast to the small differences found in the recent past.

Many workers are reporting greater satisfaction with their work, more rewarding careers, and increased opportunities for mobility; at the same time, many others are experiencing greater on-the-job stress, increased tensions between work and family responsibilities, and a loss of meaning and community in the workplace.

Careers

The simple fact is that careers and career opportunities have changed enormously since the 1970s, particularly for professional and managerial employees who now have many more career choices than several decades ago. The exponential increase in technical and scientific knowledge in recent years has led to a concomitant proliferation of areas of expertise and, thus, to a greater number of professional specializations. Individuals also can choose to work at an ever-increasing variety of organizations. There are many new service businesses, more foreign companies that employ large numbers of Americans, and an increasing number of small-business and self-employment opportunities today.

Perhaps the most important change is the freedom individuals now have to structure their own career paths. As a result of more frequent job changes, responsibility for career planning, guidance and skill development has shifted from the organization to the worker. As the restraints that once confined the careers of “organization men” have fallen off, workers increasingly have become able to make choices based on “individualism, personal fulfillment, and passion,” values in keeping with the zeitgeist of the times.

Work/Life Balance

Thirty-eight percent of Americans report some tension between their work and home lives. Today’s highly publicized work/life balance conflicts are multiple, and their nature differs significantly depending on the jobs

For additional information on reduced supervision at W.L. Gore, go to: <http://my.summary.com>

(continued on page 6)

Consequences for the American Worker

(continued from page 5)

individuals have and on their family situations.

Tensions between work and family life clearly have implications for the well-being of individuals and their children and ramifications for society in general. Yet because the personal needs, desires, motivations, and economic circumstances of Americans are so varied, there appears to be no single way to resolve these tensions, no universal best practices with regard to work/life balance. For example, while both may say they want more time off work, the desires of a young, unmarried, high-paid professional for more leisure time are not the same as the work-hour flexibility needs of a middle-class couple with a disabled child or parent.

Employers have a moral imperative to be honest and clear about the conditions and expectations attached to the jobs they offer. Employers need to define the limits to their family-friendly policies.

Health and Safety

Since the 1970s, nonfatal injuries in manufacturing and construction are down by about 50 percent. American workplaces are far less dangerous today than they were 30 years ago, and most of the worst occupational diseases have been or are being eradicated. The biggest threat to blue-collar workers now is a lack of commitment to the ongoing task of monitoring for existing hazards and vigilance in terms of responding to new threats.

Recent studies show that the leading causes of absenteeism in the United States today are family-related, and that one out of six people who fail to show up for work offer stress as the reason. Jobs have changed, but stress has remained and spread like a contagion throughout the ranks of the work force. Studies show that social sup-

port can moderate elevated blood pressure. Hence, healthy workplaces are environments that provide ample opportunities for social interaction.

Role conflict and the related feeling of loss of control — for example, having a job with high performance demands but little decision-making authority, or not having enough co-workers to get a task done — appear to be at the core of most stress-related workplace health problems. Not surprisingly, research shows that socially supportive High-Involvement workplaces tend to be the healthiest for most workers.

Job and Life Satisfaction

Over the last half-century, scores of scholars have analyzed the causes and consequences of job satisfaction. Their most important findings are:

- Low levels of job satisfaction lead to turnover and absenteeism.
- The effect of job satisfaction on job performance is weak; in fact, job performance is more likely to be a cause of job satisfaction.
- Job satisfaction is determined primarily by the type and amount of rewards people get at work. Workers develop their perceptions of what they should receive by comparing their rewards to what others like them receive.
- There is a positive relationship between employee satisfaction and customer satisfaction in some service situations.
- There is an inverse relationship between job satisfaction and the desire of employees to form a union.

Employee Stock Ownership

Since the 1970s, there has been a major increase in employee stock ownership. It is estimated that roughly 23 million Americans own stock in companies at which they are employed.

Employee-owners are more inclined to exhibit positive behavior on the job, to stay with a company as a result of their equity interest, and to pay more attention to its financial performance, all of which are positive behaviors from a company point of view. United Airlines and a few other large corporations have taken advantage of the promise to reflect the desire of employee owners to assume greater responsibility for the management of their enterprise.

Training and Development

Particularly in the last decade, an observable convergence of trends has heightened the need for more and better job training: the increasing speed of technology change; the increasing sophistication of foreign competitors; the export of manufacturing jobs; downsizing

Addressing the Issues

A major shift has occurred in the American economy and workplaces as the result of the confluence of many factors, including: increases in the costs of benefits, particularly health care; a downward pull on wages due to competition from offshore workers; increasing use of contingent workers; the substitution of capital for labor; and a wage squeeze on services-sector employees due to growth of Low-Cost competitors such as Wal-Mart.

For American industry to remain competitive and to continue to create enough good jobs for all Americans, each of these issues must be addressed by corporate executives, union officials, public policy makers, individual workers and citizens alike. This new world of work requires fresh thinking about the choices we all must make.

(continued on page 7)

Consequences for the American Worker

(continued from page 6)

due to pressures to increase productivity; shortcomings in the quality of formal education; and the aging of the work force. All told, those trends amount to an almost perfect storm, creating an ever-increasing need for workers to update their skills regularly and, often, to develop entirely new ones.

Companies fully committed to providing continuing opportunities for employee learning, growth and development — even when those companies make no long-term job or career commitments — generate returns on their investments in terms of increased employee initiative, motivation, trust and reduced turnover. GC companies committed to worker development — including Dell, Cisco, Boeing, Millennium Pharmaceuticals, Procter & Gamble, Intel and PepsiCo — seem to benefit as much as employees from investments in training and education, particularly in terms of having a recruiting edge with the most qualified job candidates.

Community and Commitment

Social scientists find that people derive a strong sense of community from interactions with their co-workers, and the absence of community at work is a source of job and life dissatisfaction.

Over the last 25 years, a small minority of corporate executives have acted on the belief that it is possible to be flexible, innovative and competitive while at the same time creating supportive communities inside their workplaces.

Among them have been the leaders at Southwest and Continental in the airline industry; Costco, Whole Foods and Men's Wearhouse in retailing; SAS and Xilinx in computer software; Herman Miller, Nucor and NRC Holdings in manufacturing; UPS in shipping; W.L. Gore Associates and Medtronic in medical technology; DaVita in health care; Starbucks in food services; and AES in the energy industry. Executives from these HI companies have argued that creating a strong sense of mutual obligation is neither countercultural in the United States nor inefficient; instead, they say it enhances a company's productivity and profitability in the long term because it addresses the basic human need for community. ■

For additional information on the employment relationships, go to: <http://my.summary.com>

Choices and Future Directions

Realistically, not all workers have the same opportunity to choose from among the diverse array of employment options available in the workplace. The numbers and

kinds of alternatives individuals have are determined by a variety of factors, including their education, skills and work history, and those, in turn, are influenced by the resources available to them and their families and by the personal choices they make early in their lives.

Good corporate, public policy and individual choices are ones that create the opportunity to have more, and better, alternatives to choose from in the future.

Organizations and Competitiveness

Here are some potentially cost-effective High-Involvement actions employers can take to make their workplaces healthier.

1. Encourage exercise and weight control. All companies can and should make an effort to educate workers about their responsibilities for limiting their own health-risk factors. More employers are providing exercise rooms at workplaces and weight reduction programs; some offer memberships in health clubs.

2. Manage people right. Stress occurs when workers don't know what is expected of them, when they are

(continued on page 8)

Public Policy Reforms for the United States

The U.S. government needs to enact a set of supportive policies that increase the ability of corporate executives and individual workers to choose wisely and effectively in matters relating to the workplace. In particular, the government must:

- ✓ Thoroughly reform K–12 public education, with the goal of greatly improving performance in basic skills.
- ✓ Increase the number of American college graduates and university postgraduates, especially in mathematics, science and other technical disciplines.
- ✓ Use community colleges more effectively as the prime providers of skills training and retraining.
- ✓ Increase national support for research and development to public and private universities and through incentives to private industry.
- ✓ Clarify post-9/11 immigration policies, particularly with regard to foreign students and skilled workers.
- ✓ Encourage entrepreneurial activities as a major source of innovation and job creation.
- ✓ Analyze the effects of federal laws and policies, including the minimum wage and Social Security, on job creation and worker mobility.
- ✓ Decouple health insurance from employment status — which is the most important action the government must take in the short run.

Choices and Future Directions

(continued from page 7)

told to do one thing and then punished for not doing another, and when they lack adequate resources to do their assigned jobs. Good managers create the conditions under which the people who report to them can carry out their assigned tasks.

3. Make supervision supportive. When workers perform poorly, it is almost always the fault of management, and the first step in correcting that is to train supervisors. Indeed, almost every organization can benefit from more, and improved, supervisor training.

4. Encourage work/family balance. Experience at High-Involvement workplaces shows that well-designed employer efforts to provide child care, elder care, flexible scheduling and job sharing can help to reduce role conflict and increase organizational support of workers in ways that make for healthier and more productive workplaces.

5. Create a sense of community. Employees at Patagonia — a \$240 million firm with 900 employees — can receive full pay while working for two months in a nonprofit agency. Similarly, Timberland gives its employees a paid week off once a year to volunteer in local nonprofits and offers a limited number of six-month sabbaticals to workers who want to work for community organizations. ■

For additional information on young Americans and unsafe career practices, go to: <http://my.summary.com>

The Future of the American Workplace

In those American workplaces currently providing good jobs and careers, employees make productive contributions, add value to the goods they produce and the services they provide, and thus enhance performance and long-term sustainability of their companies. In the future, those “extra efforts” of employees — their innovative ideas, willingness to serve customers and engagement in work tasks — will be a competitive necessity in a nation that has carved out knowledge-related activities as the source of its competitive advantage. Securing a positive future for the American economy depends on more fully realizing the untapped and profound potential of the nation’s human capital.

If the United States is to succeed as the global leader in technology and high value-added goods and services, more corporations must adopt the High-Involvement approach to structuring jobs and employment, individual employees must plan their lives and careers more effec-

tively, and the government must develop new policies, especially with regard to health and education. If all those things are done, the United States can, and will, continue to maintain its commanding economic position.

The Burden of Change

How much of the burden of change is the responsibility of employers, how much is the responsibility of individuals, and how much is the responsibility of government? Objectively grounding policy analysis in data is an important step in finding the answer to that question.

In the end, what we do with the knowledge created by social science research comes down to a matter of choice based on our collective beliefs and values about the kind of workplaces and nation we want in the future.

In the market economy, most of the responsibility to choose falls upon those who manage private enterprises. More than any other players, these people will make the key choices that determine the future of the American workplace.

Great leaders use their strategic and moral imaginations to create viable options where others see none. When there appears to be no choice but to take an action that is negative for a key constituent, imaginative leaders look for alternatives that haven’t been tried or for ones that others assume “won’t work.” In business, such leaders take the extra step and search for actions that serve all their stakeholders.

If U.S. companies are to meet the challenges of the new global economy, their leaders must begin to imagine what is required to build greater community and commitment in their respective workplaces, and then to create those conditions.

In acting to meet the needs of their employees for good work, corporate leaders not only seize an opportunity to improve the long-term performance of their businesses; they also fulfill their responsibility to all their stakeholders — owners, worker and nation alike. ■



If you liked *The New American Workplace*, you'll also like:

1. ***The Disposable American*** by Louis Uchitelle. According to Uchitelle, there is something fundamentally wrong with the tolerance of large-scale layoffs in the U.S.
2. ***Human Resource Management*** by Robert L. Mathis and John H. Jackson. Mathis and Jackson have teamed up to provide an authoritative and essential HR text useful to anyone in the field.
3. ***Workforce Crisis*** by Ken Dychtwald, Tamara J. Erickson and Robert Morison. Dychtwald, Erickson and Morison claim that in the next 10 years, there will be fewer skilled workers to replace those that retire.
4. ***Brand From the Inside*** by Libby Sartain and Mark Schumann. Branding experts Sartain and Schumann present their “secret weapon” for successful branding.
5. ***Built to Change*** by Edward E. Lawler and Christopher Worley. According to Lawler and Worley, change need not be feared, but appreciated; the authors provide the necessary tools to accomplish change.

· Book 42 of 46 ·

The Rare Find



The Rare Find

Spotting Exceptional Talent Before Everyone Else

THE SUMMARY IN BRIEF

One of the nation's biggest music labels briefly signed Taylor Swift to a contract but let her go because she didn't seem worth more than \$15,000 a year. At least four book publishers passed on the first Harry Potter novel rather than pay J.K. Rowling a \$5,000 advance. And the same pattern happens in nearly every business.

Anyone who recruits talent faces the same basic challenge, whether we work for a big company, a new startup, a Hollywood studio, a hospital or the Green Berets. We all wonder how to tell the really outstanding prospects from the ones who look great on paper but then fail on the job. Or, equally important, how to spot the ones who don't look so good on paper but might still deliver extraordinary performance.

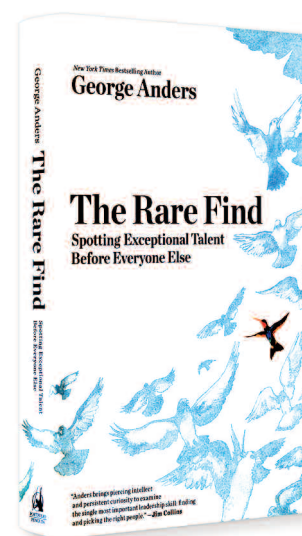
Over the past few decades, technology has made recruiting in all fields vastly more sophisticated. Gut instincts have yielded to benchmarks. If we want elaborate dossiers on candidates, we can gather facts (and video) by the gigabyte. And yet the results are just as spotty as they were in the age of the rotary phone.

George Anders sought out the world's savviest talent judges to see what they do differently from the rest of us.

In *The Rare Find*, Anders draws on the best advice of these and other talent masters to reveal powerful ideas you can apply to your own hiring.

IN THIS SUMMARY, YOU WILL LEARN:

- Why you should never ignore “the jagged résumé” — people whose background appears to teeter on the edge between success and failure.
- How to look extra hard for the obscure, out-of-the-way candidates who most scouting systems overlook.
- Why you must be careful with the spectacular but brash candidates who might have trouble with loyalty, motivation and team spirit.
- How to clear away the clutter and focus on what matters most.



by George Anders

CONTENTS

Introduction
Page 2

**Sand, Sweat —
and Character**
Page 2

The Talent Problem
Page 3

**Decoding the
Jagged Résumé**
Page 3

Where Insights Are Born
Page 4

Auditions That Work
Page 5

Talent That Whispers
Page 5

What Can Go Right
Page 6

Talent That Shouts
Page 7

When to Say No
Page 7

**Fitting the
Pieces Together**
Page 8

THE COMPLETE SUMMARY: THE RARE FIND

by George Anders

The author: George Anders is one of the founding writers at *Bloomberg View*, specializing in opinion pieces about the U.S. economy, financial markets and innovation. He spent two decades as a top feature writer for *The Wall Street Journal*, where he was part of a team that won a Pulitzer Prize for national reporting. He has also written for *Fast Company*, *The New York Times*, *Parade*, *Smart Money* and *Harvard Business Review*. He is the author of three previous books, including the *New York Times* bestseller *Perfect Enough*, a biography of Carly Fiorina.

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Introduction

In 2010, business strategist Marc Effron surveyed a group of 1,800 human resources managers at big companies. He asked if they thought they were winning the war for talent. Only 18 percent of respondents said yes. All the rest felt they were either losing ground or stuck in an endless struggle where they weren't making headway.

There are 208,000 full-time recruiters in the United States today, working everywhere from General Electric to a three-person firm specializing in pulp-mill operators. They tend to be likable, diligent, well-connected people. They reliably find competent candidates for their clients. Often they go one step further and produce what the business community calls "A-level players."

But when it comes to recognizing the first stirrings of genius, conventional talent spotters might as well be blindfolded. In pop music, one of the biggest recording labels in the country briefly signed teen sensation Taylor Swift to contracts very early in her career, but let her go because it didn't seem worth spending more than \$15,000 a year for exclusive rights to her work. In baseball, a host of future All-Star players went undrafted through the first 30 rounds of the sport's annual amateur draft, as teams burned up more than 900 picks on other players, most of whom would never play an inning of major league baseball. And in book publishing, at least four houses had a chance to buy the rights to J.K. Rowling's first Harry Potter novel for less than \$5,000. All but one of them said no.

Of course, in each of those cases, someone did break away from the pack. Someone did take a chance on the unlikely prospect. ●

Sand, Sweat — and Character

Of all the military equipment at Camp Mackall, nothing is more pitiful than trailer 2K9395. Oil stains and rust patches have devoured the trailer's cargo bed. A rusted axle droops awkwardly from the frame's left side. The trailer joined the U.S. Army in June 1967, bound for service in Vietnam. Judging by appearances, this contraption has been rotting for decades at this Army outpost in the North Carolina pinelands.

For Dan Fagan, the trailer is perfect.

Fagan is a tall, broad-shouldered sergeant in the U.S. Army Special Forces. After years of overseas deployments, he has come to Camp Mackall for three years. In his job, he helps screen about 300 soldiers a month, all of whom hope to join the elite Special Forces, also known as the Green Berets.

On this particular morning, unprepared soldiers will be thrust in front of the Army's worst-kept trailers to see who can propel these 800-pound wrecks, by hand, to a faraway destination. Fagan will judge their work.

Walking alongside the trailer-pushing soldiers in the hot North Carolina sun is tedious, unpleasant work for the Special Forces assessors. There's no way of predicting when the next revealing moment will occur. Soldiers can trudge through the sand for hours without doing anything out of the ordinary. Yet Special Forces assessors regard their duty as an honor. For them, moment-by-moment observation is a crucial part, maybe even the essence, of how the U.S. Army Special Forces ensures it is selecting the right new soldiers.



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How GE's Corporate Audit Staff Program Works

One of the most famous talent-spotting systems in corporate America is General Electric's (GE's) Corporate Audit Staff program. It is a multiyear gauntlet designed to be a selection/initiation hybrid. Candidates may spend six months in Brazil working around the clock on leasing deals — and then be rocketed off to Australia on short notice to learn the mining business. Such progressions draw the most dedicated into a fast-paced career in corporate finance while discarding those who can't keep up.

The interplay between broad rules and specific examples is endless and rich. It's possible to learn from a vast assortment of fields, so long as each discipline's unique habits are seen as metaphors, rather than as a literal role model.

Their vigilance provides what every organization wants: accurate early assessments of who has the right stuff — and who doesn't.

Camp Mackall's rituals provide a useful starting point for thinking about talent selection. Any system for picking the right people needs to be more than just a thousand disconnected habits. Success means building on a few central principles. Step back from the details of Special Forces' methods and it's possible to discern three big ideas that can apply almost anywhere. They are:

- **Look for the hidden virtues.** One of the most overlooked strengths in America today can be expressed in one word: resilience.
- **Find your unlikely stars by noticing what others don't see.** The best assessors in any field are constantly learning something new about their subjects.
- **Push your best candidates to grow even stronger.** Motivation reveals itself as the selection process plays out. ●

The Talent Problem

Teach for America's (TFA) early approach to picking teachers suffered from a narrow/superficial problem, with assessors relying far too much on the illusory value of tests that looked for classroom charisma. Those were easy tests to administer and they appeared to be ferreting out attributes that were highly relevant. In reality, though, chasing charisma wasn't the right approach.

Nonetheless, TFA got back on track, and how it did so is instructive. Recovery started with some serious rethink-

ing by Wendy Kopp, TFA's founder. In her autobiography, *One Day, All Children*, Kopp talked about a series of visits she made in the spring of 1999 to schools where the best TFA-selected teachers were at work. "What I realized in getting to know exceptional teachers," she wrote, "is that good teaching is not about charisma. It's not anything magical or elusive. These teachers set clear goals for their students, motivate people (in this case students and their families) to work hard toward these goals, work relentlessly to accomplish them and constantly assess their effectiveness and improve their performance over time. As I got to know these teachers, a whole new conception of teaching formed in my head."

Come Back and Do It Again

Resilience became the new watchword within TFA. In its 2004 website briefing for prospective applicants, tfa.org declared: "Because our corps members face such tremendous challenges, we seek applicants who have demonstrated determination and persistence when confronted with obstacles in the past." The language was recast a few years later, but the message remained just as strong. In 2010, tfa.org informed candidates: "Our successful corps members refuse to allow the inevitable challenges that they face to become roadblocks." In other words, work hard. Don't complain. Don't lose faith. Come back tomorrow morning and do it again.

By the time the 2009-10 academic year was over, TFA recruiters had auditioned a record 46,359 applicants, competing for just 4,500 openings. As selectors narrowed down the candidate pool, they enjoyed a pickiness that outsiders found breathtaking. Some 18 percent of Harvard's graduating class applied; most of those students didn't get in. A future Fulbright scholar was turned down. A Duke senior told *The New York Times* that getting into the teaching corps is just as hard as "being accepted to an Ivy League grad school."

Does all that intense jockeying for a few slots mean that TFA is able to find extraordinary teachers? Traditionalists say that they are more comfortable with the classic belief that top teachers develop slowly, through years of training. TFA's defenders counter that by selecting only the most promising candidates, they have been able to launch teachers successfully into classrooms with only a few weeks of intensive training. Often these newcomers can achieve gains in their classrooms that match those of long-time teachers — and exceed what traditional first-year teachers with years of conventional training can do. ●

Decoding the Jagged Résumé

During his time at the University of Utah, David C. Evans filled his graduate programs with the young engi-

Summary: THE RARE FIND

neers and scientists who later created the Pixar movie studio, a pioneering Internet-browser company, Photoshop editing software and more. As *The New York Times* declared in Evans' 1998 obituary, Evans discovered and groomed "an extraordinary group of graduate students who went on to groundbreaking careers in computing."

Practically all of Evans' selections required him to make sense of what amounted to "jagged résumés." That term doesn't appear in standard human resources manuals. But it's a familiar concept for top assessors in fields ranging from commerce to medicine, sports, high finance and philanthropy. Knowing what to do when a jagged résumé candidate enters the picture is the single biggest differentiator between leaders with a gift for picking winners — and those who keep wrong-footing themselves.

Whenever a search for talent begins, it's customary to draw up a list of all the desired traits that a winning candidate should have. As candidates come in, standard protocol calls for dividing résumés into two piles. People whose background and credentials largely fit expectations become serious contenders for the job. People who come up short are shunted aside.

A Grievous Flaw

That's a perfectly logical system, with a grievous flaw. The most intriguing candidates often don't fit into either pile. These are the candidates who don't have smooth, well-rounded credentials to date. They show up with a tantalizing, jarring combination of promise and pitfalls. They are jagged résumés.

The cautious answer in such situations is to shunt such candidates into a third pile: the "maybes." That way, no one needs to make a decision for a while.

The best assessors thrive on analyzing the middle of the pile. Even if there's just one overlooked winner in each stack of 50 "maybes," they find him or her. They widen the talent pool and never lower their standards or tarnish their reputations with a flurry of poor hires. In their hands, the jagged résumés aren't so hard to decode after all. Here are their most powerful methods:

- **Compromise on experience; don't compromise on character.** Be willing to embrace unconventional views of what skills are truly needed in each specific field.
- **Your own career is a template; use it.** The best insights into candidates' potential come from leaders whose own life experiences speak to the traits they are seeking.
- **Rely on auditions to see *why* people achieve the results they do.** When great assessors watch a candidate in action, they aren't just looking for a

momentary flash of brilliance. They are hunting for dozens of clues that show how and why someone succeeds. ●

Where Insights Are Born

Most of us dodge the hard work of extracting lasting truths from the zigzags of our own careers. We don't want to know why we stumbled at certain points. We may not even care to pick apart our successes that much. We would rather settle for a soothing narrative — revealing little about the real reasons for success or failure — instead of staring at the raw truths of why some people achieve great things and others don't.

In his book *Vital Lies, Simple Truths*, psychologist Daniel Goleman documents how pervasive such coping mechanisms have become. As he points out, "the mind can protect itself against anxiety by dimming awareness." Evasions shield us in the face of everything from severe physical pain to awkward dealings with friends, colleagues and societal problems. It takes a special sort of courage to revisit the critical junctures in our lives, and to look at them calmly and with clarity.

Why bother? Because that's where insights are born.

More than a half-century ago, an 11-year-old boy was admitted to Children's Memorial Hospital with a ruptured appendix. He didn't leave the hospital until three months later. A fierce stomach infection had set in. Antibiotics of that era were barely sufficient to bring it under control. As if finally became clear that the boy would recover, he wanted to know everything about what his doctors and nurses did, and how they helped him heal.

Spotting the Nonobvious Winners

That unforgettably scary experience became Dr. James Weiss' touchstone. It doesn't show up on his résumé. But it is clear that a harsh childhood illness still shaped his thinking about what doctors could be — and should be. Without that illness, Dr. Weiss might have become an oboist. Without that illness, "bedside manner" might never have been more than a phrase to him. Without that illness, he might have taken the easy route to guiding Johns Hopkins' admissions committee toward picking strictly the candidates with the best grades and scores, rather than looking for the ones with the most caring souls, too.

One of Dr. Weiss' favorite ways of spotting the nonobvious winners is to see how candidates answer a quartet of essay questions that are aimed at drawing out students' character. Those questions ask students to talk about rewarding experiences, overcoming adversity,

areas of pride and moments of exclusion. Dr. Weiss added those questions shortly after taking command of the admissions effort in 1999. There have been answers, he says, that brought him to the brink of tears.

But those gentle questions have also provided Hopkins with some of its starkest warning signs. “We’ve had essays that dripped with breathtaking arrogance,” Dr. Weiss says. “And there was one where a candidate said that his proudest moment involved getting his guitar to make a warbling, Pink Floyd sort of sound. I have no idea what he was thinking when he told us that.” ●

Auditions That Work

The best independent scouts blend opinion and facts so skillfully that college sports departments gladly subscribe to the assessors’ high-priced newsletters year after year.

Bob Gibbons is an informal dean of the scouts. He is a friendly, paunchy man from Lenoir, N.C. He has been appraising high-school basketball stars since 1977.

“You want guys diving on the floor or crashing into the stands, chasing a loose ball,” Gibbons explains. “You look for ‘effort’ people. It makes a huge difference how dedicated they are. You’re always asking ‘Are they willing to do whatever is necessary to get to the next level?’”

Jared Sullinger not only made the starting lineup at Ohio State as a college freshman; he helped propel the Buckeyes to a top-five ranking in the country. Before Sullinger’s first college season was done, sportswriters predicted he could be one of the NBA’s top draft picks.

Aaron Craft wasn’t making as big a splash, but he was on his way to stardom, too. He became a key reserve for the same Ohio State team, playing 29 minutes a game and averaging 6.9 points. He led the team in steals, even though he wasn’t on the court for as many minutes as the starters.

Millions of auditions take place in America every month. They come in every imaginable form. Some can be as brief as an actor’s two-minute reading of a minor movie part. Others involve two weeks of round-the-clock rigors at the FBI’s main training facility in Quantico, Va. Whatever the format, each audition represents a chance to see what a candidate can actually *do*. At a certain point, it’s time to move beyond the indirect insights that can be gleaned from résumés, references and interviews. It’s time to ask the actor to step on stage; the pilot to crawl into the simulator; the educator to teach a class. It’s time to see, right there in action, who possesses the right stuff.

The best auditions reveal profound strengths — and flaws — that might not be obvious otherwise. When it’s

What Audition Masters Hunt For

Ask audition masters what they are hunting for and the deepest answers involve subjects’ character. Regardless of differences in the exact ways that talent is expressed, each domain’s underlying quests are strikingly similar: Who tries hard? Who prepares well? Who recovers quickly and calmly from a setback? Who works well with others? Who can size up a turbulent situation and come up with a plan? Or, taken from the other direction, which people cut corners? Who turns brittle under pressure? Who is clueless about group dynamics? Who ultimately doesn’t care?

All these queries help illuminate the reasons *why* candidates achieve the results that they do.

time to make sense of jagged résumés, auditions help identify the Sullingers and Crafts of any field. Just as important, well-run auditions can sound the alarm about candidates who seem spectacular on paper but falter on closer inspection. Every field has its share of high-scoring performers whose shortcomings take a while to perceive. Auditions uncover those flaws. ●

Talent That Whispers

“We should come up with programming puzzles,” declared Facebook’s chief technology officer, Adam D’Angelo, a recent Caltech graduate. If the puzzles were clever enough, they could be posted on Facebook’s website as a form of “brain candy,” inspiring gung-ho solvers to think about working at Facebook. So Facebook engineer Yishan Wong cobbled together some jaunty stories with sneaky-hard puzzles embedded in them. Most of his creations were so gnarly that he couldn’t solve them. D’Angelo liked that.

As Facebook’s puzzle inventory grew, so did the company’s understanding of the national talent pool. “We developed this theory that occasionally there were these brilliant people out there who hadn’t found their way to Silicon Valley,” Wong recalled. “They might be languishing in ordinary tech jobs. We needed a way to surface them.” Goofy puzzles looked the perfect bait. So Facebook began looking for ways to get its brainteasers in front of whatever desk-bound slackers might have hidden aptitudes for top-flight programming.

Facebook’s puzzles began attracting a cult following among programmers worldwide. Utter strangers spent as much as 40 hours trying to devise solutions. Most of their efforts didn’t work. About 10 percent of submissions, however, amounted to accurate, runnable programs.

Summary: THE RARE FIND

Within that pool, a much smaller number amounted to genuinely elegant work. Those standout candidates earned job interviews at Facebook. Contestants who passed all the regular tests for new hires were invited to come on board.

Alert organizations find clever ways to widen their net without wrecking the careful checks and balances involved in a conventional hiring system. Often the pioneering work can be done by a few explorers who approach the hunt for talent in a radically different manner.

The key techniques are:

- **Break down barriers that restrict where you look.**
- **When exploring, ask: “What can go right?”**
- **Figure out how to take tiny chances — so you can take more of them.** ●

What Can Go Right?

In Silicon Valley, where even well-established companies try to retain the friskiness and childlike curiosity of their early days, the willingness to ask, “What can go right?” never dwindles.

The model in many executives’ minds is Bill Hewlett, co-founder of Hewlett-Packard (HP). During his heyday in the 1950s and 1960s, he developed a famous three-step approach for dealing with engineers who were excited about what they hoped was an amazing breakthrough.

At the start of the process, one chronicler recalled, “Bill immediately put on a hat called ‘enthusiasm.’ He would listen, express excitement where appropriate and appreciation in general, while asking a few rather gentle and not too pointed questions.” Later, Hewlett would revisit the issue, in effect wearing new hats called “inquisition” and “decision.” In those later stages, Hewlett could turn fiercely critical. Shortcomings in either the idea or its champion would be bluntly aired. But the critiques wouldn’t happen until Hewlett had first enjoyed a chance to see what could go right.

As a result, the best ideas (and the most talented engineers) prospered within HP. The duds were culled. Thanks to Hewlett’s willingness to begin with an open-minded look, morale stayed strong, no matter what the outcome. The boss’ overriding message: New ideas and new talent were welcome at HP.

There is a powerful benefit to this strategy of opening the doors wide at first, and then getting picky as newcomers reveal their full strengths and limits. It becomes much easier to hire someone intriguing without a fully formed view of what she or he might accomplish in the

years ahead. All that matters at the beginning is a willingness to get started. ●

Lottery Tickets

When Scott Borchetta founded his own music label in Nashville, at age 43, he was trying to rebound from a run of bad luck. He had been squeezed out of MCA Music years earlier because of a personality clash with a boss. He lost another job in the summer of 2005, when DreamWorks Nashville shut down.

Borchetta yearned to be in charge of picking talent. He had spent 20 years in Nashville, taking orders from a long series of music label chiefs. They decided who should be a star. Borchetta’s job was to get on the phone with radio station music directors and programmers around the nation, trying to make someone else’s business plan come true.

Right after leaving DreamWorks, Borchetta moved his work gear into an aging bungalow on Nashville’s Music Row — and declared himself CEO of Big Machine Records.

Discovering Talent

To succeed, Borchetta needed to sign the singers America wanted to hear. He had to *discover* talent that the rest of the industry didn’t see.

Three of Borchetta’s artists were gritty male soloists who had cut a few songs for other labels. None had hit the big time yet. Another addition was an astonishingly good-looking woman whom Borchetta had met at a sushi restaurant. The fifth arrival in Big Machine’s lineup was a tall, blond high-school girl, just 15 years old at the time. She didn’t fit into any familiar category, but Borchetta really liked her lyrics.

In essence, Borchetta had bought five lottery tickets.

Ultimately, Borchetta’s venture paid off in ways he hadn’t dared hope. During Big Machine’s first five years, his artists sold more than 20 million albums and won four Grammy Awards. One of his performers made the cover of *Rolling Stone*. Big Machine became country music’s top-selling label in 2009, which changed the way Borchetta was seen in Nashville. He became a powerful man.

Practically all of Big Machine’s success came from the teen artist nobody noticed at first: Taylor Swift. When her debut album hit the stores, she won fans in small towns and big cities with her candor, poise and warmth. She turned out to be the unlikely superstar that made Big Machine the hottest ticket in Nashville.

In areas of artistic creation, such as music, our first encounters with greatness very seldom amount to

“Wow!” moments. All we notice at the beginning is a slight flutter. We see, hear or read someone who stands out. How much? We’re not sure. We need to know more. But our curiosity has been engaged. We certainly will take stock of this new presence some more. Those follow-up sessions — the second, third, fourth and fifth encounters — are where we gradually gain the conviction to say: “That really is something extraordinary.”

If bells went off every time someone amazing walked into sight, it wouldn’t be hard at all to recognize the first stirrings of greatness. The great art lies in being open-minded enough to see faint possibilities at first, and then being methodical enough to keep coming back for more impressions, until the full picture is clear. ●

Talent That Shouts

Decades after they scrubbed together, surgeons across the country still hear Dr. John Cameron’s voice in the operating room. Dr. Cameron is in his 70s now, yet the mentor’s impact lingers. At some of America’s finest hospitals — including the Mayo Clinic in Rochester, Minn., and Brigham and Women’s in Boston — when surgeons get to work, it’s as if they were back in Baltimore, finishing their training while their former chief stands beside them. Nothing the younger surgeons are doing is good enough. The testy, silver-haired boss is demanding perfection.

His voice begins gently. It is the cadence of a patient teacher, sharing maxims and anecdotes. Everything is delivered at a smooth pace that is just right for full, first-time comprehension. Dr. Cameron wants you to learn. Yet every few minutes, there’s something odd that he wants to single out. Now the pitch rises. The frequency of words slows down. Dr. Cameron lingers on a single word with incredulity. A puzzled, mocking tone takes hold. The great teacher has come across something that makes utterly no sense. Now he wants you to realize how wrong-headed this is. Even before you can absorb the reasons he will share, he wants you to shudder at this bad practice.

Should you forget for a moment to clamp off a blood vessel, Dr. Cameron’s high-pitched whine will assault your ears. “Jeez, Mike, every surgeon in North America ... knows ... better ... than to do that.” Start working around the incision and the voice keeps reminding you to handle the patient’s tissues as delicately as possible. Make a single awkward move and the voice will snap: “Wooden hands!”

Yet when the operation is over, Dr. Cameron’s voice is gentle again. “You did a good job,” the voice says. “I hope you don’t mind me yelling. Yelling makes me feel better.”

For 20 years, Dr. Cameron ran what amounted to an extraordinary boot camp for America’s most ambitious

surgeons. Starting in 1984, his general surgery department accepted about 30 young doctors a year as Hopkins trainees. All of them had been winning competitions their entire lives. They were academic standouts in high school, college and medical school. Many had worked part-time in top research labs; some had been standout athletes, too. Each beat out 15 or more rivals to win a place at Hopkins. They represented talent that shouts.

Those aren’t easy people to manage and they can be even harder to assess. What seems like bountiful, overflowing talent can turn into a minefield of petulance, frustration and selfishness. Many organizations suffer their worst setbacks when dealing with “can’t miss” talent.

The best strategists involve a tough-love approach, as epitomized by Dr. Cameron’s marathon training programs. He bombarded young doctors with fierce challenges and lofty goals. As each round of apprenticeships played out, Dr. Cameron could see who the true winners were. The result: an extraordinary crop of future medical leaders and a talent-grooming system that ought to be an archetype. ●

When to Say No

Bill Cosby’s foray into book writing is a cautionary tale in the publishing industry that still attracts notice two decades later. Everything started well in 1985, with Doubleday editor Paul Bresnick signing up Cosby to write a short book that became *Fatherhood*. That book’s gentle mix of advice and wisecracks captivated America. Readers snapped up more than 2.5 million hardcover copies, creating millions of dollars of profits for Doubleday and making its author’s advance of \$850,000 seem like a bargain.

Doubleday briskly signed up Cosby for another book, this time on what it’s like to get old. The publishers paid \$3 million for the rights to *Time Flies*, which had strong but not spectacular sales. Everyone decided to try a third time. This time Doubleday paid \$3.5 million for *Love and Marriage*, which ran into serious buyer resistance. Of the 850,000 hardcover copies printed, journalist Gayle Feldman reported, barely one third had been sold a year after the book’s debut. This latest project was at risk of sticking Doubleday with losses of \$1 million or more. Ordinary business logic would suggest that Doubleday stop publishing Cosby’s books, or at least stop paying so much for them.

Even so, Doubleday nearly ended up publishing Cosby’s next book, *Childhood*, for another hefty advance before tensions between publisher and author caused *Childhood* to be published by a different house.

Feldman, who summarized the economic rise and fall of Cosby’s titles in a *New York Times* feature, declared that such follies are just part of the way publishing works. In

Summary: THE RARE FIND

her words, “famous authors’ advances frequently rise in inverse proportion to the sales of their books.” The main reason, she contended, is that authors press for more and their publishers capitulate, fearful of seeing a major author go elsewhere.

For the last word on acquiring talent at sensible prices — and avoiding catastrophic overpayments — the right expert is football’s Bill Polian. “In any given year,” he says, “there are exceedingly overpriced areas of the talent market. That’s most common with free agents, and it’s usually recognizable.” Other teams battle to sign the players everyone wants; Polian seldom does.

“You get confident over time about breaking from the pack,” he says. In his pre-NFL jobs, his budgets were so tight that he had no choice but to look for low-cost ways to fill his roster with the overlooked or underappreciated. Now he remains thrifty by choice. “You need to be as efficient as you can about solving the problem,” he says. “You don’t take things for granted. You analyze the solution. You find a solution. There’s always a solution.” ●

Picking the Boss

A new breed of outside assessment experts is getting better at winning boardroom credibility. Old-time stereotypes of odd-looking psychologists in tweed jackets have succumbed to the arrival of polished assessors with MBAs and big-league experience at Bain, McKinsey and other strategic consulting shops. These interlocutors know how executives think and act; some are so accomplished that they could sit on either side of the table. In turn, directors have sobered up. Aware of the hit-and-miss results that come from falling in love with candidates, board members are much more amenable to formal screening methods instead. Highly structured interviews may not be as fun as a couple rounds of drinks at a speakeasy. But if a carefully scripted approach produces better results, it’s hard to argue against it.

There’s a parallel here with Major League Baseball, where laptop carrying data crunchers have had a huge impact on the talent market. As chronicled in Michael Lewis’ book *Moneyball*, the numbers geeks proved that major-league teams had been paying far too much for flashy home run hitters, and not enough for scrappy ballplayers who kept reaching base by drawing walks.

Could something similar be true for hunting for executive talent? It’s still early days. The ingredients for a successful CEO are far more complicated than the elements that define an All-Star baseball player. But it’s intriguing to see where dispassionate assessors are focusing their attention.

Spotlights are centered on everyday virtues — such as efficiency, self-reliance and an ability to “read the room” when people with different interests are crammed together for a meeting or a negotiation. Such skills are the equivalent of a CEO’s brilliant speech or high-stakes strategic thrust. Over time, though, it’s the little stuff that may add up to lasting success. ●

Fitting the Pieces Together

Time and again, the experts converge on the same three principles:

1. Widen your view of talent. The best assessors in any field look at people differently. These judges all have the courage to focus on candidates’ underlying character and motivation, rather than sticking merely to classic measures of experience. Credentials and job history still matter, but they aren’t the whole show anymore. Once some basic level of competency has been established, the key question stops being: “What can you do for us today?” Instead, it becomes: “What might you be able to do for us years from now?” The payoff from this bolder, more forward-looking perspective can be huge.

Compromise on experience; don’t compromise on character. Seek out “talent that whispers.” On the fringes of talent, ask: “What can go right?” Take tiny chances — so you can take more of them.

2. Find inspirations that are hidden in plain sight. Patterns that may be difficult to see in one realm can be stunningly clear in others.

Draw on the “hidden truths” of each job. Many organizations are in too much of a hurry to get started with the drama of screening candidates, without ever fully knowing what the hunt is all about.

Be willing to use your own career as a template. Rely on auditions to see *how* and *why* people achieve the results they do. Master the art of aggressive listening.

3. Simplify your search for talent. Be willing to pick one trait that matters more than anything. Often the ability to recover from setbacks is what separates people who surpass expectations from those who disappoint.

Be alert to other invisible virtues, too. Insist on the right talent. Push your best candidates to grow even stronger. Become a citadel of achievement. ●

RECOMMENDED READING LIST

If you liked *The Rare Find*, you’ll also like:

1. ***The 2020 Workplace* by Jeanne C. Meister and Karie Willyerd.** In 2020, multi-generations will place new demands on employees. Learn what your organization can do.
2. ***Smart Hiring at the Next Level* by Robert W. Wendover.** This book shows how to pick the best while avoiding the 10 most common hiring mistakes.
3. ***Topgrading* by Bradford D. Smart.** Author Bradford Smart spells out his practical approach to finding and managing A-level talent.

· Book 43 of 46 ·

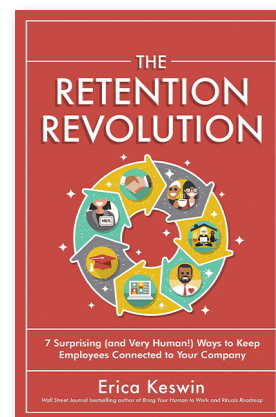
The Retention Revolution

Erica Keswin

The Retention Revolution

7 Surprising (and Very Human!) Ways to Keep Employees Connected to Your Company

by **Erica Keswin**



Contents

Onboarding

Page 2

Flex for All

Page 2

The Case for Human Professionalism

Page 3

The Three P's of Meetings

Page 4

Learning and Development

Page 5

Investing in Your Most Valuable Employees

Page 5

Offboarding

Page 6

THE SUMMARY IN BRIEF

During the pandemic, people quit their jobs in droves, inspiring panic and despair in leaders across industries. Most companies thought they could solve the problem of retention if they could find the perfect cocktail of benefits and perks. But the workplace would never be the same and we're *way* beyond any superficial solutions. We have to reframe everything we thought we knew about how work *works*. The very concept of retention is changing.

In *The Retention Revolution: 7 Surprising (and Very Human!) Ways to Keep Employees Connected to Your Company* author Erica Keswin explains how it's not really about retention anymore, though it's not *not* about retention either. It's all about meeting people where they are, as they are, for as long as they choose to stay connected—which will hopefully be long after they leave. This is a new, very human, very real world, and there's no going back. Keswin dismantles seven old ideas about work and then rebuilds them in new beginnings that reconsider why linear thinking is being replaced by the more human reality of cycles, revolving doors, and dynamic change.

IN THIS SUMMARY, YOU WILL LEARN:

- The three P's of onboarding.
- How to be flex for all.
- Why you should invest in your most valuable employees.
- The boomerang way to offboard.

Onboarding

This is a new, very human, very real world, and there's no going back. We will dismantle seven old ideas about work and then rebuild them in new beginnings that reconsider why linear thinking is being replaced by the more human reality of cycles, revolving doors, and dynamic change.

Old Idea #1: Onboarding is that thing you do before the “real” work begins.

New Beginning #1: Onboarding sets the tone for what can hopefully be a long, possibly winding, but mutually beneficial relationship.

Remember when impersonal and transactional tasks like getting your parking spot, assigned seat, computer passwords, and benefits packages passed for onboarding? When flipping through unreadable, corporate-speak handbooks was the stuff that would inspire a long-term, personal commitment to the company? Onboarding was the stuff that needed to happen before *real* work could begin. A box check.

Today at smart companies, onboarding is being rebranded, thankfully, as the beginning of that long and winding, mutually beneficial relationship. Onboarding is actually a way of welcoming someone for what founder of LinkedIn Reid Hoffman calls a “tour of duty.”

After all, in the Retention Revolution, employees are building their own careers as they pass through your company, coming and going—and perhaps returning—all the while adding value, developing themselves and others, and sharing their wisdom.

When it comes to onboarding new employees, the first step is to know where you're headed by having your values and culture goals firmly in place. Everything you do will arise out of that foundation. From there, you'll have to decide exactly what you need to cover to get someone up to speed. And then, you'll have to figure out how you're going to deliver all the info in a way that aligns with your values.

The Three P's of Onboarding

There are three simple ways to create a human onboarding experience that supports the Retention Revolution. Make sure your onboarding is: Professional, Purposeful, and Personal. And yes, this goes for welcoming new employees whether you're in person, remote, in a cohort, one-on-one, or a mix of all the above.

Onboarding is an essential part of any business that should

not be treated as an add-on or after-thought. That's why the first step in onboarding, well, is to professionalize it. Depending on the size of your company, either hire someone whose sole job it is to oversee onboarding or officially give it to someone in the organization to own and cultivate.

Employees are willing to make real sacrifices to work at purpose-driven organizations. Onboarding is the perfect time to create that important meeting of the minds and make the connection between a new hire's roles and the purpose of the organization.

Connections made between the new hire and others in the company should be curated and never left up to chance. In other words, make onboarding personal. Simple, one-to-one introductions are the human factor that is the most important touch in making a new hire feel welcome.

Personal, values-aligned, and high touch are hallmarks of an onboarding process that contributes to the virtuous cycle of the Retention Revolution. Great work begets more great work. This is onboarding as you mean to go on, and on.

Flex for All

Old Idea #2: Employees are only working when you can see them.

New Beginning #2: It's official. Autonomy and flexibility are good for business and great for people.

Before 2020, flexibility, like most benefits and perks, was something you earned over time. Today, remote or hybrid work is often the norm for many people. The reality is, the genie is out of the bottle on this one. Too many people have tasted the benefits of working from anywhere, and they're just not buying into the notion of coming back to the office. Nor should they.

Success in the Retention Revolution requires less reactivity and more strategy. Less control and more trust. Less obsessing over hours logged and more focusing on results and outcomes. The best way to make work really work for all, is to be flexible about flexibility. You can ACE flexibility by offering people what we know they want: Autonomy, Connection, and Equity.

Autonomy

It's only human to want to check in with your employees. It's your job, in fact, to observe and assess your team's

Forget about the elephant in the room; let's take a minute to name the human in the room. Or should we say—on the Zoom?!

performance. Which is why it can feel difficult to trust that employees are working when you can't see them. And yet, the time has come.

But how do you offer autonomy when we're so conditioned to feel like we have to watch over people? One option taken by some companies is to go all out and track employees' every move. This productivity paranoia is the latest major time and attention drain for many workers and it's bad for business.

When productivity is understood as time spent instead of results delivered, you miss the point entirely. What we measure becomes what we create. If you measure hours, you'll get hours. If you measure results, you'll get results. In the Retention Revolution, deciding what to measure, and giving people choice about when and how they meet those metrics, is critical in any work environment.

Connection

These days, when left to our own devices, we're not connecting as well as we could...whether virtually or in person, even in the office. It's great we can get so much work done remotely, but unfortunately, digital contact doesn't mirror the neurological benefits of in-person relating.

We have to be more intentional about connecting with one another. Our work lives must be planned with face-to-face connection top of mind. Simply bringing people back to the office isn't enough to create connections. We have to plan, reflect, and integrate in a strategic way. Design days in the office that are worth the commute. Make them engaging, purposeful, and focused on being together as a team.

Equity

In the Retention Revolution, nothing is black and white. In order to ACE flexibility, there is no such thing as absolute equity. Instead, it's always relative. Nothing will be perfectly equitable for everyone, but your job as a leader is to know how to consider the elements and how they all work together. And all eyes are on you.

Leaders need to walk the walk, and work from home if the company's flexibility policy calls for it. If leaders regularly

go into the office when the policy is only a couple days each week, employees will feel pressured to go in, regardless of what they want or what really works for them—a serious recipe for resentment.

Flexibility is here to stay and it is not just for senior-level desk workers. It is for everyone. But to make flexible work *work* for your teams, you'll need to design it through the lens of autonomy, connection, and equity.

The Case for Human Professionalism

Old Idea #3: “Human professionalism” is an oxymoron.

New Beginning #3: Professionalism infused with authenticity is the hallmark of today's workplace.

It's not news that remote work has completely blurred the lines between work and home. Or that because of this shift, the nature of our work may seem to be more *casual*, shall we say, but—by some measures—even more productive and engaged.

The fact that over the course of the pandemic we ran reports, teams, whole companies—in fact the biggest economies of the world—from our closets, kitchens, and home offices in our jammies has called into question everything we thought we knew about what it means to be professional.

There's no curtain; the emperor has no clothes; the jig is up. After spending much of 2020 and 2021 with our kids, spouses, roommates, and messes awkwardly on display, it's time to stop hiding. Forget about the elephant in the room; let's take a minute to name the *human* in the room. Or should we say—on the Zoom?!

We exist, and we're complicated. And we're not totally “professional” in the way we dress or the way we express ourselves. And that's good news. For us as people, and for our businesses. There's never been a better time to unpack the very concept of professionalism.

Now is our opportunity to preserve everything that supports innovation, creativity, and life-affirming productivity, while

letting go of outdated, unrealistic, and unattuned notions of the sacrifices we have to make in order to succeed—as companies and individuals.

In the Retention Revolution, judging by appearances is being replaced by an appreciation of character. The truly human way is to take off the pressure and add in some personality. Creating psychological safety and belonging in the workplace, where people can authentically dress and express themselves, is good for people and business.

The Three P's of Meetings

Old Idea #4: Meetings are just...what you do.

New Idea #4: Meetings are a critical ingredient in the recipe for retention.

Another great gift from the pandemic is that we now have a lot of options. When it comes to meetings, this is both a blessing and a curse. Sometimes meeting in person is just better, or even necessary. Other times, remote meetings are perfect. Hybrid meetings are necessary at times, even if they aren't everyone's favorite. In fact, they can often be the worst of both worlds.

But as with everything else in the Retention Revolution, what matters most is being intentional—and knowing why you're doing what you're doing. And maybe you'll find that you don't have to meet at all. The only way to stay ahead is to accept that how you hold meetings has to change.

Most of us will continue the ritualized, if not always necessary, practice of meeting. So, it's important that we know how to meet well. Every good meeting—whether it's in person or remote—is good in the same three ways. The Three P's of good meetings? Purpose, Presence, and Protocols.

Purpose

You have to figure out the purpose of your meeting. While it may feel counterintuitive to create a very narrow focus of your meetings, the fact is that the more niche you are, the more meaningful experience participants will have.

Amy Bonsall, the CEO of Collective, a company devoted to helping remote teams thrive, writes in *Harvard Business Review* that there are three types of meetings. They are:

- Transactional gatherings, which move work forward
- Relational gatherings, which strengthen connections

- Adaptive gatherings, which help us address complex or sensitive topics

This can help you decide what kind of meeting you should have and whether it should be virtual or in person as well as provide focus as any given meeting should only be one type.

Presence

If the purpose is clear, your next step will be to ensure that people show up. Literally and figuratively. These days, because it is so incredibly easy for people to slip through the virtual meeting cracks, you might want to consider designating a person whose job it is to cruise direct, if you will.

One big question: Who's in charge of managing the ungainly schedules of hybrid work with the added responsibility of planning events or activities for people to connect, both in real life and virtually?

The role is called many things: connection curator, workplace manager, head of workplace experiences, and community manager to name a few. Whatever you call it, it's a dedicated role to meet this unique, pandemic-induced shift in the way we work and connect.

This person's job is to design for connection, own it, iterate and adapt, and—critically—look at it through the lens of diversity, equity, and inclusion. Which is to say, this connection curator role needs to be an explicit part of someone's current job or even a new job entirely because left to its own devices, it won't happen. And that's bad for business. Have someone *own* connection.

Protocols

Whether your company is in person, remote, or somewhere in between, meetings play a critical role in how people feel about work. How can your meetings maximize all of these different variables? It's not easy, and the rules keep changing in this Wild West of work today. So, what do we need in the Wild West? We need a sheriff to keep some order. And guess what? You're it!

You are hereby charged with keeping meetings on track. As you consider ways to hold your meetings, keep in mind that you're also looking for approaches to capture and maintain people's attention as long as you need it. Here are seven basic rules.

1. Establish a meeting strategy and cadence.
2. Assign a host to curate connection.

If you love them, let them learn. Because that's what people really, really want.

3. Start as you mean to go on, keeping people engaged from the beginning.
4. Create a pledge around meeting rules, such as time limits.
5. Mind your manners by starting and ending on time and sticking to the agenda.
6. Find the sweet spot between tech and connect, leveraging tools for everyone's benefit.
7. Experiment, iterate, assess, and change course as needed.

With the rising tide in time we all spend on our screens, it's critical to be judicious whenever we ask people to step away from their thinking work to attend a meeting, even if it's in person. Once you learn how to pick and choose wisely—with purpose, presence, and protocols—you'll learn how to meet as you'd like to go on, and on, and on.

Learning and Development

Old Idea #5: Professional development should be job-related.

New Beginning #5: Taking professional development personally is fuel for the ecosystem of opportunity.

In the Retention Revolution, employees are the new customers. And while these new customers may not always be right, one of the biggest requests of employees today is actually very good for business. And that's professional development—lots of it, right off the bat, with no strings attached.

Of course, there's still room and a need for traditional professional development, but the big difference in today's workplace is that it's not led solely by the employer's needs, but by the employees'—the *customers*'—interests as well. So much so that it doesn't necessarily have anything to do with their day job. Even so, it should happen during the workday.

Professional development in the Retention Revolution is

not the quid pro quo of before times, the old “I pay you to learn something and you apply your skills to my enterprise” arrangement. Today, it's more like “let's work together to make sure everyone grows.”

If you love them, let them learn. Because that's what people really, really want. Your job as a leader is to constellate your business goals and values around serving your market and all of your customers, including your employees. And there is a remarkably clear business case for doing so.

If you create awareness, access, and support for internal mobility and career progression, you can retain and grow your top talent.

Investing in Your Most Valuable Employees

Old Idea #6: Managers are in the messy middle of their career and your organization—and are easily overlooked.

New Beginning #7: Managers should be elevated and celebrated.

You've probably heard the oft-quoted 2015 Gallop gospel, “people don't leave companies, they leave managers.” But today, this is not just an important idea to keep in mind, it's a make-or-break truth. Managers are always important, but in the Retention Revolution, they're your MVP.

Unfortunately, there is a great deal of difficulty with this important role so some talented people want to skip right over this step on the corporate ladder. Middle managers are feeling pressure from all directions in the organization—and who isn't these days?!—so it's no wonder so many managers are feeling burned out and stressed out.

These days managers are being relied upon even more by direct reports, with many saying their manager has a direct impact on their own mental health. This is one of the reasons why your managers' well-being is central to the health and well-being of your organization.

The impact of a manager is broad but it is also a laser-focused solution for the problem of retention. There is a huge percentage of voluntarily exiting employees that could have been retained had there been regular, ongoing conversations about their employee experience.

Training your managers has an exponential effect. As individual contributors, managers have an outsized impact on the state of your workforce, so you'd be wise to focus on their training and feedback in order to keep your company healthy.

Also, to state the obvious, managers are employees, too. In other words, in the Retention Revolution, managers are having a real moment, and you should do everything you can to help them lead others and themselves well. Your company's success depends on it.

Instead of just plugging people into this incredibly important position because they're so good at their day job, such as the salesperson who is so good at selling that she gets promoted to sales manager, everyone will benefit when you take the role of the manager seriously. You do this by elevating and then celebrating.

First of all, you want your managers' programs to be a *thing*. You're likely already offering *something* for new and existing managers, but it's probably not enough. Take a good look at the process of becoming a manager in your organization and elevate it. Create a cool, branded experience that aligns with the mission of the company, and then shout it from the rooftops. Don't be shy.

The next thing you'll want to do is celebrate the role. One of the main ways to do this is by creating community. There's nothing better than learning with a truly connected cohort that moves together through the elevated experience of becoming amazing managers.

Learning how to elevate and celebrate your managers can take time because it comes from a shift in perspective. So at the end of the day, what really matters is relationships—between managers and their teams, managers and leaders, and managers and themselves.

Offboarding

Old Idea #7: There's the door. Don't let it hit you...

New Beginning #7: Smart companies know how to get a positive return on employee churn.

Imagine being honored with your company's most sacred ritual as you walk out the door, not into retirement, but for a different job. Consider how celebrated you would feel about your ex-employer—as talent, as a consumer, as a potential client, as a human being. Imagine unlocking the golden handcuffs and wishing your top talent well as they mosey into different—if not greener—pastures.

Imagine even planning for their exit as they enter. Imagine actually helping your superstars find new jobs. Imagine offering no strings attached sabbaticals and professional development that's truly personal, an offering that may develop them right out the door. Imagine supporting employees as customers, seeking assignments that align with their ever-shifting goals.

And then, imagine how gratified you'll feel if your top talent recommends their friends and even asks for their old job back.

In 2008, Howard Schultz rejoined Starbucks as CEO for his second tour of duty. In 2022, Disney brought back Bob Iger. And who could forget when Steve Jobs returned to Apple? Not every boomerang CEO works magic, but there is certainly a business case to be made for leaving the door open when successful employees—at all levels—leave your company.

In fact, these days, LinkedIn is filled with videos from major companies touting returning employees, often with elaborate blog posts, pictures, and videos showing happy staff back at their companies.

Quite a contrast to the before times, when offboarding was pretty much onboarding in reverse: Give the keys and your company laptop back, set up a "You can reach me at..." email and, if you are one of the lucky ones, your colleagues might toast to your goodbye at a company happy hour. Oh...and don't let the door hit you on the way out.

Smart companies today are thrilled when ex-employees want to make a comeback. They know the ins and outs. There isn't a lot of change in performance between stints. So, why do employees decide to return? The grass isn't always greener.

All this means that if you offboard well and stay connected to your former employees, there may be a chance in the future to welcome them back with open arms. The best leaders recognize and support when an employee has to leave to continue their career growth. If that person decides to come back to your organization in the future, any experiences they had elsewhere could make them that much more valuable to the team.

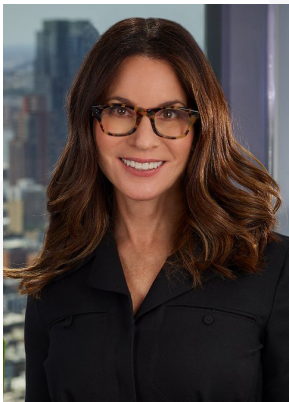
Boomerang employees are actually one of the best-kept secrets of the Retention Revolution—evidence that opening the doors and letting go of expectations is good for business. Give employees “a red carpet in and a red carpet out.” This harnesses the power of human potential *beyond* the traditional terms of employment.

The Retention Revolution is a mindset, not a moment in history. Regardless of which way the pendulum is swinging, creating a human workplace is good for people *and* good for business. People want leaders who value and support them.

They want work that connects them to a purpose, their colleagues, and their organization. They want to learn, develop, and evolve, and stay connected when the time comes for them to move on. It's only human.

Since Covid, all too many employers, obsessed with retention, have tried to wrest back control and make it a *them* thing. It's not you; it's not me. The Retention Revolution makes one thing crystal clear: We're all in this together.

The Retention Revolution is an *us* thing.



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· Book 44 of 46 ·

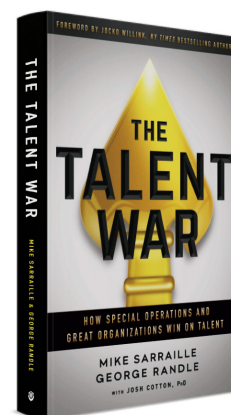
The Talent War

Mike Sarraile and George Randle

The Talent War

How Special Operations and Great Organizations Win on Talent

by **Mike Sarraille and George Randle**



Contents

Introduction

Page 2

A Talent Mindset

Page 2

The Nine Foundational Character Attributes of Talent

Page 2

The Hiring Process: A Decisive Battlefield

Page 4

Conclusion

Page 4

THE SUMMARY IN BRIEF

Special Operations Forces and top-performing organizations around the world all have one thing in common—they know how to find the right talent and develop that talent. So why do so many other organizations struggle in this area?

One of the reasons is that they simply don't know how to find, attract, and develop talent the right way. Other companies simply don't think it's a priority, focusing instead on the 'money making' areas of their business. But companies are made up of people, which means that your talent acquisition and development process is indirectly the single most significant revenue-generator at your company.

Organizations must develop a talent mindset, which involves a high level of focus on finding the right talent, choosing people with character that can be trained rather than focusing on people with poor character who may already have some of the job-specific skills they need. In *The Talent War*, veteran Special Forces leaders outline how SOF and other organizations find world-class talent and develop that talent into world-class leaders—and how your organization can do the same.

IN THIS SUMMARY, YOU WILL LEARN:

- How the world's best organizations find the right talent to excel.
- Why traditional hiring practices don't work, and how to improve them.
- How to train the right skills into talented people in order to succeed.
- The nine foundational character attributes of talent, from drive and resiliency to curiosity and emotional strength

Introduction

Any good business leader will tell you that people are the most important factor in a business. If you want long-term, lasting success, you need leadership—and that means you need to select and invest in the right people. The ‘who’ is almost more important than the ‘what.’ It’s not what you sell that determines if your organization will be great—it’s who you have doing it. People make the products. People deliver the service. People innovate and adapt. People solve the problems. And most important, people lead people to accomplish all these things.

Whether you’re a CEO, CHRO, executive, HR representative, mid-level manager, or anyone at all involved in hiring, you and your company can benefit from this book. The sooner you begin thinking about and approaching talent differently, the sooner you can begin maneuvering your team to win the talent war.

A Talent Mindset

At the most basic level, talent equals high-potential candidates—the people most likely to become high performers. It is the individual who never gives up, who performs in high-pressure situations, and who will win when others say it’s impossible. Talent is the leaders that make plans and decisions, the people that drive teams forward. And talent wins.

In the hiring process, you need to look for talent—those high-potential candidates who display the attributes and mindsets necessary to become high performers within their respective fields. The more high potentials you hire, the more high performers you can develop into effective leaders. The first step in hiring more high potentials is establishing a talent mindset.

What’s So Wrong with Traditional Hiring Practices?

When companies lack a talent mindset, it’s a common refrain: cost. Creating a robust talent acquisition and management process is simply too costly, they say. What most companies don’t understand is that the major cost is not money, but time and devotion to creating a world-class talent acquisition pipeline. In this process, you will actually save money in the long run as your attrition lowers and you consistently make better hires.

Talent acquisition and talent management are indirectly the largest revenue generators at your company, because they

impact every other revenue-generating function.

What Makes Special Operations So Special?

By necessity, Special Operations Forces have adopted a deep talent mindset. SOF’s team mentality and the high stakes of war reinforce the importance of talent, and because it’s impossible for candidates to have prior SOF experience, the SOF community has been forced to find better ways to identify talent.

Five truths drive everything Special Operations Forces do:

- Humans are more important than hardware.
- Quality is better than quantity.
- Special operations forces cannot be mass-produced.
- Competent Special Operations Forces cannot be created after emergencies occur.
- Most Special Operations Forces require non-SOF assistance.

Hire for Character, Train for Skill

Hire for what you can’t teach and train for what you can. That means hiring for character and training for hard skills. Meanwhile, remember that personality is not the same thing as character. You should hire based on the core character traits that predict performance, not based on likability. Set appropriate minimum standards for hard skills, but don’t obsess over finding applicants that exceed the minimums to the exclusion of character.

Industry experience is the number one factor companies use in the hiring process, yet it is actually a poor predictor of success. Look beyond industry experience to patterns of success. After all, resumes tell a story—but you have to look deeper, beyond the surface-level facts, to understand a candidate’s character.

The Nine Foundational Character Attributes of Talent

We define talent—high-potential individuals—as those possessing drive, resiliency, adaptability, humility, integrity, effective intelligence, team-ability, curiosity, and emotional strength. A person’s character is the aggregate of their deeply ingrained attributes. These traits are predictors of high-performance, and they cannot be taught. As such, they should be the primary focus of your hiring and talent acquisition process at your company.

Drive

Drive is the need for achievement. An individual with high drive wants to be the best, has a desire to grow and push themselves, is willing to take risks, and often seeks out fresh achievements. Those with high drive are always searching for the next goal or challenge. If someone with low drive makes a million-dollar deal, they might pat themselves on the back for months. For someone with high drive, it will be just hours or days before they start asking, “Alright, what’s next?” High-drive individuals are never satisfied. They’re continually hungry for achievement.

Resiliency

Someone with high resiliency bounces back from stress quickly, is adaptable, and is not easily discouraged. An individual with high resiliency resists quitting and is focused on completing goals. Essentially, resiliency is how people handle setbacks and persevere in the face of challenges. They accept failure as part of the process. They don’t accept it passively but utilize their lessons learned and mistakes as a basis to grow.

Adaptability

Adaptability is the ability to adjust one’s behavior and actions according to what the situation requires. If you have somebody with high drive and high resiliency but zero adaptability, they’re not going to be one of your best performers. It’s that old saying: “The definition of insanity is doing the same thing over and over again and expecting a different result.” Adaptability is the difference between insanity and innovation.

Humility

Without a doubt, humility is the most important trait of a true leader. A leader with the right level of humility is a willing learner, maintains accurate self-awareness and seeks out others’ input and feedback. Humility is the antidote to arrogance. Someone with appropriate humility recognizes that they do not have all the answers and that the aggregate intelligence and experience of everyone below and around them always far outweighs their own knowledge and experience. They are conscientious of the perspectives and views of others to form more educated decisions.

Integrity

Someone with integrity understands what is legal and what is right and aligns their actions and words with both. Integrity is not optional. High performance without integ-

rity is dangerous and will backfire eventually, like it did with Enron and Wells Fargo. Somebody who is going to step on others or break the law to succeed is not someone you want in your company. People like that are generally not pleasant to work with, and they can prove to be very expensive. While they may produce results in the short-term, their behavior and toxic leadership will damage if not destroy the organization in the long-term.

Effective Intelligence

Raw intelligence is an important attribute that both Special Operations Forces and many other successful organizations prioritize. But it’s important to note that intelligence is only important to a point. Just as there are physical minimum requirements in Special Operations, there are also mental minimum requirements. After meeting that minimum, increasing levels of intelligence do not predict increasing levels of performance. You don’t need to hire a genius who is deficient in emotional strength or humility. You just need someone who meets a certain standard of intelligence that will allow them to learn quickly and perform intuitively when required.

Team-ability

Nothing worth accomplishing can be done alone. There are no Ramboes in the military. That might look cool in the movies, but individuals die pretty quickly on the battlefield, or worse, get others hurt. The greatest successes require that we work together.

SEAL groups are called ‘teams’ for a reason. You will often hear SEALs refer to themselves as ‘team guys.’ In all of Special Operations, teams are a way of life. This notion is driven into SOF candidates from day one. Teams aren’t added, they’re multiplicative. If you have three people acting as individuals, they will output the work of three people. If you combine them into a cohesive unit, they’re going to output the work of more than three people.

Curiosity

Curiosity—exploring the unknown and questioning the status quo in pursuit of better, more effective solutions—is the key to innovation. Without curious individuals, nothing would ever change or improve. Curiosity is especially critical in hiring because it is an indicator of future potential. We have no idea what roles or skills we’ll need in the future, but you can count on someone with curiosity to learn what they need to.

Emotional Strength

An emotionally strong individual has a positive attitude, high empathy, and emotional control in stressful situations. Many of the successful talent acquisition individuals interviewed identified a positive attitude as important to their hiring decisions. Attitude is contagious. Positivity breeds positivity.

Know Thyself: Creating a Talent Acquisition Plan

You can't hire talent if you don't know what talent looks like in your organization. Build talent profiles in your organization by assessing top performers at every level. Identify the most important attributes of these top performers, then reinforce your findings with objective written assessments. Update your succession plan regularly, ideally every three-six months.

Know Your Audience: Attracting Top Talent

The key to attracting talent is to market yourself as a talent magnet. To show that you value talent, you must provide the things talent wants: competitive pay, talented leaders and colleagues, a sense of community, challenge, growth opportunities, and purpose. And remember—your current employees and alumni are your best recruiting mechanism.

Build Your Hiring Team: A-Players to Select A-Players

Having talent in your hiring team is one of the best and most dependable ways to ensure you have talent everywhere else. Your hiring team should not be homogenous. Bring in different perspectives in order to get objective takes on potential candidates. Also remember you have to actually train your hiring team, treating hiring as a primary function rather than a secondary one. And finally, incentivize your A-players to take on hiring functions. Link talent acquisi-

tion to their job so that they say it as vital to the value they provide your organization.

The Hiring Process: A Decisive Battlefield

The hiring process can include interviews, observation of candidates, and assessment tests. To be most effective, use a multivariate assessment process, where multiple assessment strategies are used, including a mix of subjective and objective measures. Pressure testing is critical. Under stress and adversity, true character is revealed.

Meanwhile, interview questions should be standardized and aligned to specific character attributes, with scenario-based and behavior questions being best. To add pressure, give candidates challenges, like case studies, during the interview and push them out of your comfort zone.

Conclusion

You can have the most effective talent acquisition program in the world, but if you don't properly develop your talent, your company will most likely still fail. Building talent is a two-phase process that involves both acquisition and development. If you lack training and leadership development, your organization will fail, even if you have a great talent acquisition process.

Remember—Talent + Leadership = Victory.



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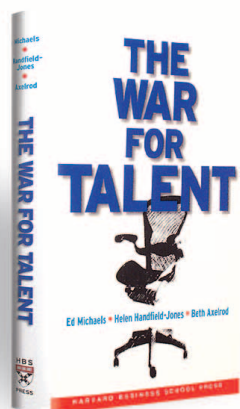
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· Book 45 of 46 ·

The War for Talent

Ed Michaels, Helen Handfield-Jones, and Beth Axelrod

SOUNDVIEW Executive Book Summaries®

FILE: PERSONNEL/
HUMAN RELATIONS

By Ed Michaels,
Helen Handfield-Jones and
Beth Axelrod

Attracting, Developing and Retaining Highly Talented Managers

THE WAR FOR TALENT

THE SUMMARY IN BRIEF

The depth and quality of a company's talent pool can determine whether that organization will lead its market and industry, or merely follow those competitors who attract better, brighter, more talented people. What distinguishes high performing companies from merely average performers in this war for talent is not better human resource processes, but the fundamental belief in the importance of talent, and the actions those organizations take to back up that belief.

Based on surveys of 13,000 executives at more than 120 companies, as well as case studies of 27 leading companies, the authors present a five-part approach to managing your organization's talent resources. Economic downturns will not diminish the challenge of recruiting highly talented managers. This summary tells you how to win the ongoing war for talent.

CONTENTS

The War for Talent

Pages 2, 3

Embrace a Talent Mindset

Pages 3, 4

Check Your Talent Mindset

Page 3

Craft a Winning Employee Value Proposition

Page 4

Evolving Your EVP

Pages 4, 5

DoubleClick's EVP

Page 5

Rebuild Your Recruiting Strategy

Pages 5, 6

Weave Development Into Your Organization

Pages 6, 7, 8

Differentiate and Affirm Your People

Page 8

What You'll Learn In This Summary

- **Embrace a talent mindset.** Talent development is the direct responsibility of every successful leader, from renowned CEOs like Jack Welch to the smallest small-market entrepreneur. The war for talent cannot be delegated to HR – every leader in your company must get in the trenches and make a contribution.

- **Craft a winning employee value proposition.** Company leadership must address people management with the same vigor it brings to customer management and with the same commitment to value.

- **Rebuild recruiting strategy.** You must take a proactive approach to finding talent — going out, finding great candidates, and approaching them, regardless of whether they're actively looking for work.

- **Weave development into the organization.** If you don't take an active role in developing your best and brightest talent, you will lose them, and will have trouble attracting great talent to take their places.

- **Differentiate and affirm employees.** To maximize the efficiency of your talent pool, you need to make certain you are differentiating your best managers from your mid- and low-level performers.

THE WAR FOR TALENT

by Ed Michaels, Helen Handfield-Jones and Beth Axelrod

— THE COMPLETE SUMMARY

The War for Talent

In the late 1990s, with the economy burning white hot, companies were scrambling to hire and retain the people they needed to exist and grow in highly competitive markets and industries — but were losing ground to the innumerable dot-com startups ready to take on the world. Many organizations had hundreds of vacancies they couldn't fill, in spite of the signing bonuses, raises, and general coddling of their employees. Even after the dot-com bubble burst and the economy cooled off, this war for talent raged (and continues to rage) on.

Talent is now a critical driver of corporate performance; a company's ability to attract, develop and retain talent has not ceased to be important in the current slow economy. Managerial talent, in particular, is at the epicenter of the war for talent — people with the ability to lead a company or division, guide a production team, or supervise a group of workers are the elements that differentiate great companies from merely good ones.

Why the War Will Persist

There are three fundamental forces fueling the war for talent:

- **The irreversible shift from Industrial Age to Information Age.** When the war for talent began in the 1980s (with the birth of the Information Age), the importance of hard assets — machines, factories, capital, etc. — declined relative to the importance of intangible assets, such as brands, intellectual capital and talent. As the economy becomes more knowledge-based, the differential value of highly talented people continues to mount.

- **Intensifying demand for high-caliber managerial talent.** Companies need managers who can respond effectively to globalization, deregulation and technological advances. Startups and small companies add an additional layer of demand on the talent pool, as venture capitalists increasingly make seasoned managerial talent a prerequisite for investment. While short-term fluctuations in the economy will make the talent market periodically looser, the demand for top managerial talent is still strong, and will continue to be for at least the next two decades.

- **The growing propensity for people to switch from one company to another.** When companies downsized in the late 1980s, the traditional covenant that traded job

security for loyalty was broken. When, in the 1990s, job opportunities surged and information about those opportunities was suddenly abundant and available (via the Internet), old taboos against job-hopping evaporated. It is hard to see what could make employees surrender back to employers the control and responsibility they've assumed over their professional lives and well-being.

Since these structural forces show no signs of abating, it is believed that the war for managerial talent will be a defining feature of the business landscape for many years to come.

A New Approach to Talent

There are five imperatives on which companies must act if they are going to win the war for managerial talent and make talent a competitive advantage:

- **Embrace a talent mindset.** Leaders in the most successful companies believe building their talent pool is a huge part of their job. They have a passionate belief that great talent is required to achieve any aspirations in business. This talent mindset cannot be relegated to HR — every leader in the company must be committed to hiring and retaining the best and brightest employees possible.

- **Craft a winning employee value proposition.** While most companies create a clear, compelling reason why customers should do business with them, few organizations put nearly as much thought into why talented managers should join and stay with them. Company leadership must address people management with the same vigor they bring to customer management.

- **Rebuild recruiting strategy.** It is no longer suffi-

(continued on page 3)

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The War for Talent

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cient (or, in many cases, possible) to simply select great employees from a long list of candidates; you must go out and find great candidates. Corporate leaders must focus on hiring at multiple levels, identifying intrinsic skills they need and looking for new faces from new places to bring those skills to their companies.

● **Weave development into the organization.** Every company and every leader must develop people to increase their capabilities, since there aren't enough fully developed managers to go around — and since talented people are inclined to leave if they feel they are not growing and stretching.

● **Differentiate and affirm employees.** The most successful companies differentiate the pay, opportunities and investments they make in people, rewarding their best performers and developing their middle performers in an effort to improve their efforts. ■

Embrace a Talent Mindset

A talent mindset is the deep-seeded belief that having better talent at all levels is how you outperform your competitors. It is the belief that better talent is a critical source of competitive advantage, and the recognition that it is better talent that pulls all other performance levers. Leaders with this mindset don't delegate talent management to subordinates — they commit a major part of their time and energy to strengthening their talent pool, taking bold actions when necessary to see that talent is maintained and grown throughout their organizations.

PerkinElmer's CEO, Greg Summe, took such a bold action immediately upon assuming his mantle at the engineering company. He immediately reviewed the performance not only of his 15 direct reports, but of their respective direct reports — 80 people in all — discussing his reports' leadership capabilities, strategy, results, and the climate they each created.

The conversations were revealing, but simply having them was not enough; Summe had to take action. By the end of his first year, he had reduced the 15 corporate officers to ten, and replaced nine of those ten. In addition, 80 percent of PerkinElmer's top 100 employees were in new positions; half of those people were new to the company. Summe's talent mindset and his quick actions yielded immediate results.

Six Talent-Enhancing Actions for Leaders

Every leader — whether a CEO, plant manager, store manager, etc. — should be asking, "How strong is my team, and what can I do to strengthen it?" Leaders must

Check Your Talent Mindset

Ask yourself what you believe about the role of talent in your business and how talent management fits into your concept of your job:

- ✓ **Do you believe having better people is how you will win in your business?**
- ✓ **Do you believe strengthening your talent pool is a crucial part of your job?**
- ✓ **Do you convince all your managers to make talent a crucial part of their jobs?**
- ✓ **Have you taken the six different actions to push a talent-centered focus deeper into your organization?**

The answers to these questions must be an unequivocal "Yes." Embrace a talent mindset and help ensure that your company has the talent it needs to win in the marketplace.

take six different actions to exert his or her influence and talent-centered focus deeper into the organization:

● **Establish a talent standard.** Sharply define the difference between poor, average and excellent performance, creating the benchmark for evaluation and promotion across the entire organization.

● **Get actively involved in people decisions.** Leaders with a talent mindset must get involved in recruiting and hiring decisions, by ensuring their talent standard is applied and by adding candidates to the list of those being considered. When a vacancy is being filled, the leader interviews the candidates and voices his or her opinion, but lets the immediate supervisor for the position make the final decision.

● **Drive a simple, but probing review of talent.** You must discuss the talent in your company with the same rigor and intensity in which you discuss your company's budget; these discussions result in firm action plans that describe how each unit within the organization will strengthen its talent pool.

● **Instill a talent mindset in all managers, throughout the organization.** Great talent management must happen at all levels. CEOs can make this happen by talking frequently with other leaders about talent issues and by including talent management as one of the leadership competencies the company values.

● **Invest real money in talent.** Many leaders are reluctant to invest aggressively in talent-building activities, often because most companies do not look at such expenditures as investments. Leaders with a talent mindset, however, do invest in such things as new hiring, higher salaries, relocation packages, signing bonus-

(continued on page 4)

Embrace a Talent Mindset

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es, and the like.

● **Stress accountability for talent.** Each business unit in your company should set three to six talent pool-strengthening objectives for the coming year, and executive management must measure the unit's success at the end of an agreed-upon period. This fosters accountability, which is the linchpin to deeply instilling a talent mindset and making talent management every leader's job. ■

For more information on talent mindset at General Electric, go to:
<http://my.summary.com>

Craft a Winning Employee Value Proposition

The days of having a career simply as a means to provide yourself and loved ones with food and shelter are over. Today, talented people certainly want those things, but they are also imbued with a need to feel passionate about their work, to be enriched and inspired by their companies and leadership. If they are not fulfilled, they will not likely stick around; there are many attractive options out there, particularly for talented managers who understand the value they can create.

Companies that win the war for talent do so in part because they have a solid employee value proposition (EVP) that provides managers with the core elements they seek in a career opportunity:

● **Exciting work.** A great EVP starts with interesting, challenging work that people can feel passionate about. Sometimes, you have to make your business and jobs exciting, by innovating faster than anyone else, launching new products, and creating new challenges on a consistent basis. When shaping your business strategy, think about guiding your company in a direction that would be exciting to highly talented people, elevating your organization's mission to something that inspires passion. Give your employees as much autonomy and responsibility as possible, and encourage the formation of cross-functional teams, so people can get their arms around a business.

● **A great company.** Beyond the work they are doing, managers want to be a part of a great company. They want to like the culture and values, feel they are a part of a well-managed company, and have leaders that inspire them. While different people prefer different kinds of corporate cultures, there are two aspects of culture that nearly all managers are looking for: a strong performance orientation and an open, trusting environment.

● **Attractive compensation.** The price of talent is

going up. Starting compensation for M.B.A. students at the top 25 schools has gone up 36 percent (to \$127,000) in the last four years. Many consulting firms, investment banks, and law firms increased compensation 30 to 50 percent in the late 1990s. These and other figures prove talented managers have greater expectations of what their compensation ought to be; they also have a growing awareness that their contributions directly drive the performance of the company.

However, it's not always money that attracts and keeps the best managers. Reward and recognition for high individual performance was rated important by more managers than the overall amount of cash or wealth they were paid.

● **Opportunities to develop.** Your management candidates know that security does not rest in the corporate nest egg, but in their own skills. Talented people are drawn to companies that will help them develop new skills, knowledge and experiences. This is particularly true of Generation X managers, who watched in the 1980s as their parents were laid off from their once-paternalistic employers. They know in order to remain valuable to an employer (any employer), they must keep their skill sets sharp and up-to-date.

A few more perks, casual dress or more generous health plans won't make the difference between a weak EVP and a strong one. If you want to substantially strengthen your company's EVP, be prepared to change things as fundamental as your business strategy, organization structure, culture and even your company's leadership. ■

For more information on culture and manager satisfaction, go to:
<http://my.summary.com>

Evolving Your EVP

Mimi Breeden had a problem. The Vice President of SunTrust (owner of the Publix supermarkets in Georgia) was losing 46 percent of all branch staff and 55 percent of her best performers every year, in spite of repeated increases in compensation.

When bumping up pay didn't work, Breeden dug a little deeper to find the real reasons for the company's turnover problem, and found a bevy of them — her employees didn't like working Sundays; their schedules changed unpredictably; they had no method of feedback to or from management; they also had no clear career path or advancement opportunities.

Breeden went to work. After reviewing customer usage on weekends, she closed all branches on Sundays. She worked with managers to stabilize scheduling, and also to create development plans for each associate, along with instituting 360-degree feedback on all senior

(continued on page 5)

Evolving Your EVP

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managers. Breeden also made sure her top performers were nurtured by meeting regularly with her and her senior managers, to hear their needs immediately. Finally, Breeden put into place a compensation program that rewarded associates aggressively for performance.

Eighteen months later, the rate of attrition among in-store employees was down 27 percent, and the rate of turnover among top employees was slashed to below ten percent. Breeden's changes had hit the mark.

This case goes to show that an EVP is not a static thing; companies must keep evolving their EVPs to stay one step ahead of the competition. Sometimes, that evolution is gradual, but sometimes, as was the case with SunTrust, it must happen swiftly. ■

Rebuild Your Recruiting Strategy

For generations, recruitment at most companies worked in a fairly uniform manner: The hiring department would put out the word, and people hungry for work would apply. The company had the power to make the selection; the employees were either selected, or they went looking for work elsewhere.

Today, of course, it's an entirely different game — the balance of power has shifted to talented people. When the dot-com and startup boom happened, companies were finding no one lining up at their gates. This happened at precisely the time when companies needed not just more people, but more talented people than ever before. They tried a number of gimmicks to attract the talent they needed, but found that to really win on the recruiting front, you must do much more.

Organizations recognized and continue to recognize that they must engage in solid recruiting strategies if they want to stay in the hunt for the best and brightest talent. Those strategies include the following:

- **Pump talent in at all levels.**
- **Hunt for talent all the time.**
- **Tap many diverse pools of talent.**
- **Develop creative new channels.**

Pump Talent In at All Levels

The corporate ladder is no longer the dominant image for the way people move through companies. By the end of the 1990s, the cultural model of promoting exclusively from within — a model that had existed since the beginning of the Industrial Revolution — was disappearing. For this reason, some companies have begun bring-

DoubleClick's EVP

A good example of a company that understands the higher expectations of management-level talent is Internet advertiser DoubleClick. When Dwight Merriman and Kevin O'Connor founded the company in 1996, they built a value proposition for employees based on a mixture of non-traditional "new economy" perks (espresso bars and the like) and the more traditional need for those employees to control their own professional destinies. Merriman and O'Connor encouraged people to switch jobs within the company, learn new skills, and take risks. They also gave their people a high degree of autonomy, with the proviso that those people, in return, deliver innovative thinking, great numbers and strong people leadership.

"If managers can't help us attract and retain the best people," says CEO Kevin Ryan, "they aren't doing a good job. Their compensation and bonus will directly reflect their ability to do this."

The compelling and exciting value proposition DoubleClick gives its people has helped it maintain its best and brightest people, even in the face of the NASDAQ plunge. The company recognizes its prosperity is directly related to that proposition and the strong talent pool it has built as a result.

ing talent in at multiple organizational levels:

● **Senior- and mid-level.** Bringing first-rate leaders into mid-level and senior-level positions can provide admirable role models for junior managers. General Electric, for example, recognizes the risks of hiring at higher corporate levels, but the company is willing to assume that risk to expand its corporate gene pool. Home Depot, long a proponent of hiring from within, searched the world for the top talent they needed to launch major new business initiatives, including home design centers and its Internet presence. The Limited even created an ambitious assimilation program to ensure that new mid-level hires were able to ease into their roles comfortably.

● **Entry-level.** Maintaining a strong pipeline of young talent will help fuel your company's recruitment system for years to come. It also enables you to instill, early on, the culture, values and skills prized by your organization.

Hunt for Talent All the Time

In the past, companies engaged in recruitment activities only when positions were vacated — an approach that worked fine in a loose talent market, but which doesn't cut it in a tight managerial talent market.

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Rebuild Your Recruiting Strategy

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Companies need to hunt for talent continuously, to capture people when they (the people) are ready to make a move. This kind of opportunistic hiring can work in any one of three ways:

- **Identify the kind of job a candidate would fit and court that person until one of those jobs becomes available.**
- **Hire people with a specific position in mind, even though the slot is not currently open, giving them special projects to do until the position becomes available.**
- **Create or earmark certain jobs that are suitable for mid- to senior-level hires (such as strategic planning, audit staff, business development, etc.), keeping people in those jobs only for a short while, so they are vacated for the next incoming hire.**

Many companies that engage in such opportunistic hiring find success.

Tap Many Diverse Pools of Talent

In the past, companies looked for round pegs to fill round holes — experienced candidates that filled certain jobs — and knew just where to find them, namely the same few schools, competitors or related companies. As the war for talent persists, this approach will be insufficient for finding enough great talent — you must begin to look farther afield, tapping talent from:

- **Different places.** Consider candidates with the same profile, but from different schools, companies or parts of the world.
- **Different career stages.** Consider talent with the same profile, but earlier or later in their careers (retired people, college students prior to graduation, etc.).
- **Different educational backgrounds.** Consider talent from a different discipline, more educated, or less educated than your traditional profile.
- **Different work experience.** Consider talent from different industries, different types of positions, or even outside business altogether.
- **Different demographic profiles.** Consider talent of a different age, gender, ethnicity, or socioeconomic status.

Develop Creative New Channels

You must target recruitment efforts not only toward people looking for a job, but also those who aren't looking. Two-thirds of managers who switched companies in the last three years said they left their previous job not because they were looking for new work, but because a better offer simply came their way.

Companies need to explore new channels for reaching talent, among them the following:

● **The Internet.** Using the Internet to manage the recruiting process can help you broadcast your company and talent needs to the broadest possible audience, and the most focused demographic, simultaneously. It can also provide you with needed speed, particularly when you must fill positions sooner, rather than later. IT giant Cisco has led the way in Web recruitment, with its Cisco Profiler interface that enables candidates to create a résumé to send to the company. In 1999, Cisco received more than 80 percent of its recruitment prospects' résumés electronically.

● **Databases.** Identify individuals who have the characteristics you're seeking and who might want to work for your company one day. Stay in touch with those people over time, building a relationship with them by keeping track of their information in a database, much as marketers use databases to develop relationships with customers.

● **Personal networks.** DoubleClick has generated hundreds of candidate leads by tapping into the personal networks of its employees, through a referral program that awarded bonuses to employees who brought in new talent. This method turned each employee at DoubleClick into a talent scout. ■

For more information on a hiring success story, go to:
<http://my.summary.com>

Weave Development Into Your Organization

To win the war for talent, companies must place an emphasis on the development of their people. Not everyone in your organization will develop into a superstar, even with the right amount of training and attention. However, everyone can push the limits of what they can accomplish when provided with the right challenges, encouragement, and support they need to succeed. Those organizations that weave development into the fabric of their organization will attract more talent, retain it longer, and perform better in the long run.

Unfortunately, many leaders do not understand how managers grow. While it seems like an easy message to grasp, the authors' survey found that:

- Fifty-four percent of corporate officers said their inability to develop their people into great executives was a huge or major obstacle to strengthening their talent pool.
- Fifty-seven percent of managers believe that their company does not develop people quickly and effectively.
- Managers who feel their company develops them poorly are five times more likely to leave than people who feel their company develops them well.

(continued on page 7)

Weave Development Into Your Organization

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● **Fifty-seven percent of managers who intend to leave their employer in the next two years cited insufficient development and learning opportunities as a critical reason for leaving.**

To win the war for talent, companies must improve their ability to cultivate the potential of their people. Two ways in which they can accomplish this is to start using job experiences to help drive development and to make mentoring a reality throughout their organizations.

Use Job Experiences to Drive Development

For years, academics and researchers alike have stressed the importance of job experience in developing people, yet many companies under-attend to the critical decisions they make every day on how to deploy people. Organizations can, however, do the following to drive development by using job experiences:

● **Keep the learning curve steep.** Managers need to be assigned to tasks and projects they do not yet know how to do, so that they may be challenged, and experience personal and professional growth as a result of that challenge. GE typically gives its highest-potential people such “stretch” assignments, as does Home Depot. One Home Depot store manager, in fact, noted that he started with the company at age 18, became a department manager at 21, an assistant store manager at 23, and a store manager at 25!

● **Give people different kinds of challenges.** People need not only bigger jobs, but different kinds of jobs, in order to develop to their fullest potential. Amgen’s vice president, Keith Leonard, started in logistics, moved to finance, took an international assignment in the Netherlands, then a posting in sales and marketing, and was finally tapped to head a new rheumatology unit. Although the company enabled Leonard to push himself to see what he could accomplish, it also provided the mentoring, coaching and review he needed to help him succeed.

● **Give people high-octane special project assignments.** Special project assignments — those with specific objectives lasting a few months — are particularly good development opportunities, requiring a variety of skills that your best and brightest personnel should be happy to develop.

● **Continuously stretch the boundaries of current jobs.** Challenge your people to reconceptualize their roles, reorient their responsibilities, and do their jobs as they have never been done before. Remember, the job doesn’t define the individual’s potential in the role; the individual defines the potential he or she will contribute and the direction in which he or she will take the job.

● **Structure jobs to be more developmental.** When designing your organization, consider flattening its structure and decentralizing the work, to provide people with more opportunity to grow and broaden their perspectives of their roles within your company. Johnson & Johnson, for example, has more than 190 operating companies, providing the company with the opportunity to foster an entrepreneurial environment in which its management talent can stretch and develop.

● **Pay special attention to some jobs.** Some jobs are useful in developing future company leaders. When you ask your management talent to start or turn around a business, work outside their home countries, or work in a scope-widening position, you encourage them to develop and grow. The Six Sigma quality program at GE opened up countless growth opportunities for managers willing and able to meet the tough requirements of the highest level of performance, the “Black Belt” level. These positions were more than development opportunities;

they were critical to GE’s performance.

Challenge your people to reconceptualize their roles, reorient their responsibilities, and do their jobs as they have never been done before.

Make Mentoring Happen

A mentor’s job is to nurture self-esteem — not just by heaping praise, but by offering encouragement and

by believing in the ability of the individual to achieve great things. In most companies, mentoring of some kind happens every day, but few organizations have mentoring deeply embedded in their cultures. Many, in fact, question whether mentoring can be truly institutionalized.

The leadership of Arrow Electronics asked themselves that question a few years ago, and the approach it took to mentoring serves as a solid template for other companies facing the same uncertainties.

● **Carefully assign mentors.** Arrow has a number of programs to formally assign mentors, including the Worldwide Mentoring Program tailored for top managers. Senior management takes a hands-on approach to this program, carefully matching mentors and mentees.

● **Explicitly assign duties.** In addition to the process for choosing a mentor at Arrow, many of the functions of the relationship are prescribed. For instance, Arrow explicitly states that mentoring pairs should meet once a month, and suggests topics that might be discussed.

● **Follow up with mentees.** Mentors make special

(continued on page 8)

Weave Development Into Your Organization

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trips to talk with mentees, and check up on them regularly through other communications as well. One mentor even sets her Palm Pilot to remind her to contact her mentees on a regular basis.

- **Enable multiple programs.** Each business unit at Arrow is free to decide if and when it wants to start a mentoring program, and each is given latitude about the design of its program.

- **Note the benefits.** Arrow has learned that its mentoring programs are a good way for the company to keep in touch with its key employees. They also give people in Arrow's far-flung offices a way to personally share in the company's values and leadership philosophy. They also found that learning is reciprocal — Arrow's mentors often get as much out of their relationships as their mentees. ■

For more information on how managers grow, go to:
<http://my.summary.com>

Differentiate and Affirm Your People

In the struggle to be fair and compassionate leaders, many would prefer to think of all colleagues as equally talented, and to treat them all the same. However, in reality, some perform better than others. It thus becomes necessary to differentiate the people in your talent pool, then balance that segregation by affirming those people, recognizing them for their contributions.

Assess People's Performance

Differentiation entails assessing the performance and potential of your people, then giving them the commensurate promotion, compensation and development opportunities. It means investing in those people who consistently deliver results and inspire others (your "A" players); affirming and developing solid performers who meet expectations but have limited upward mobility (your "B" players); and acting decisively to raise the performance of or to remove your employees who deliver barely acceptable results (your "C" players). These distinctions have their origins in wartime actions, and are likewise valuable in the war for talent.

Show Your Appreciation

Affirmation, on the other hand, means making people feel appreciated, recognized and valued for playing their unique roles in your organization. Affirmation helps drive an individual's performance and job satisfaction, enabling you to keep morale and productivity up, while

showing your appreciation for the efforts made on your company's behalf. Even C players need their self-worth affirmed — through recognition of the strengths they can leverage, even if they're being shifted to another role.

The A-B-Cs of Talent Management

To effectively balance your A, B and C players, you must do the following:

- **Invest heavily in the A players.** Identify your best and brightest talent, find out what they would most like to be doing, and shape their career and responsibilities in that direction. You must accelerate the development of these A players as much as possible, both to help retain them and to maximize their ability to contribute to your company. Make sure they regularly receive candid, affirming performance feedback, and compensate them in a manner commensurate with their contributions.

- **Grow the solidly contributing B players.** B players may not stand out like A players, but without them your company would be paralyzed — they occupy 60 to 70 percent of your talent pool. With B players, the object is to increase their capabilities, energize them and retain them with appropriate investment. To do so, consider the following:

- Show genuine interest and caring for your people and tell them they are valued.
- Listen carefully and attentively to what they have to say, internalize that information and respond thoughtfully and respectfully.
- Praise their distinctive strengths, finding things they do well and telling them — and others — about them.
- Recognize their accomplishments with new opportunities to enable them to grow.
- Demonstrate your trust in them by giving them space to make decisions and take actions that are consistent with their potential.
- Pay them well for their contributions.

- **Act decisively on C players.** When C players are kept in leadership positions, they cost your company an enormous amount — they make bad bosses and lousy role models, and tend to attract other substandard performers like a magnet. Part of that is due to insecurity. "Bad managers hire very, very bad employees," notes Netscape founder Marc Andreessen, "because they're threatened by anybody who is anywhere as good as they are."

Managers who are A performers create much more value for a company than C players — 80 to 130 percent more, according to the authors' survey. Replacing even half of your C players with A players can have a major impact on your organization. ■

For more information on the origins of A, B and C players, go to:
<http://my.summary.com>

· Book 46 of 46 ·

Who Is the New How

Justin Palmer and Jessica Schertz

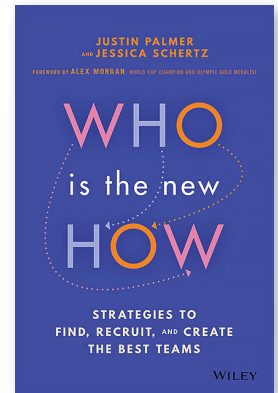


Executive Book Summaries®

Who Is the New How

Strategies to Find, Recruit, and Create the Best Teams

by **Justin Palmer and Jessica Schertz**



Contents

Matter of Intention

Page 2

Diverse Intangibles

Page 3

State of the Union

Page 4

The Future of Work

Page 5

The Culture Crutch

Page 6

A Human-Centric Workforce

Page 7

THE SUMMARY IN BRIEF

In *Who Is the New How: Strategies to Find, Recruit, and Create the Best Teams*, authors Justin Palmer and Jessica Schertz challenge one of the most persistent myths in modern business: success is built on perfect strategies rather than the people executing them. Across industries, companies still default to *central casting*—choosing candidates who look right on paper, check the standard boxes, and fit a familiar pattern. But as the book makes clear, pattern matching may feel safe, yet it routinely fails to spark the innovation, grit, creativity, and shared purpose that truly drive winning teams.

Drawing on examples from Silicon Valley to professional sports, from NASA's Mission Control to Fortune 500 turnarounds, Palmer and Schertz show that the best outcomes emerge when diverse thinkers, unconventional builders, and deeply motivated individuals come together with a shared mission. Technology can accelerate hiring, but it cannot replace the human insight required to understand potential, align aspirations, or recognize the unique intangibles that elevate a team from competent to exceptional.

Who Is the New How is a call to leaders, recruiters, and builders to rethink not just *how* they hire, but *who* they seek—and why the future of work depends on getting that decision right.

IN THIS EXECUTIVE BOOK SUMMARY

- Hire beyond pattern matching by assessing curiosity, motivation, and diverse experiences—not just traditional pedigrees
- Build inclusive, multidimensional teams that outperform “superstars” through varied perspectives, skills, and data-informed collaboration
- Balance human judgment with smart technology to create more effective, people-first recruiting and workplace practices
- Foster fulfillment, purpose, and growth to boost engagement, strengthen culture, and sustain organizational performance

CHAPTER 1

Matter of Intention

In Silicon Valley, venture capitalists love to use certain key phrases. When it comes to people, there's one to describe the typical founder that always stuck with us: central casting. A founder that comes out of central casting went to the right school, worked at the right company, presents with the right level of polish, and is a polymath of sorts. It works, so the story goes, because it is the people-version of a more general phrase that dominates thinking: pattern matching.

The only problem is that pattern matching works until it doesn't. Innovation, almost by definition, isn't about matching templates. People who build the next best thing have to be in it for more. They have to love what they do. They've got to be all in. To build a meaningful company, it takes a team—people who crave impact, who aren't just looking to copy and paste, match a pattern, or play a part and who bring curiosity, ingenuity, and creativity.

The best VCs know this. They know the best teams might have some things in common, but outliers are outliers. When you pull from central casting, you outsource thinking about the right team to a template.

There are so many examples where central casting didn't work. But let's talk about a famous one: Quibi.

When Quibi launched in April 2020, it seemed destined to succeed. It rose to No. 3 in Apple's App Store on its first day, had 1.7 million downloads in its first week, and was the 11th most downloaded app of the month. On paper, it was a success.

Quibi was the brainchild of Jeffrey Katzenberg. His accomplishments in the entertainment industry were formidable. Investors jumped at the chance to back his newest venture. Quibi amassed a total of \$1.75 billion in funding. To further secure Quibi's success, Katzenberg recruited Meg Whitman to come aboard as CEO. With her and Katzenberg at the helm, Quibi was a new entertainment company founded, literally, out of central casting.

Just six months after Quibi went live, the team announced it was shutting down. They cited the pandemic, market saturation, lawsuits, and "because the idea itself wasn't strong enough to justify a standalone streaming service."

Sometimes the best person on paper isn't the best person for the job. Quibi was a tech company without a technologist at the helm. They tried to apply known playbooks and people who looked great on paper to start something entirely

different. They started by thinking like a big company first, not the upstart they were.

Industry proficiency aside, Katzenberg and Whitman's shared understanding (or lack thereof) of Quibi's value proposition was the real tipping point. They were out-of-touch with how to create and market a modern platform for the millennial generation. TikTok and Instagram didn't start as media companies. YouTube started as a way for people to publish their own home videos.

It's easy to oversimplify the issues that plagued Quibi—which were numerous and justified—by isolating the shortcomings of executive leadership. We do so to point out the importance of placing the right people, with backgrounds and mindsets that are perfect fits for the company, in the right roles.

Hiring someone is almost always a gamble. Utilizing new and effective methods to find top candidates can mean the difference. Some things cannot be compromised: values, goals, work ethic. Companies work best when each team-mate makes the whole group better.

Great teams also have something else. They need intangibles. Intrinsic motivation that can't be stopped. Ambitious goals. When people are at their best, they don't just take a job—they make it their own.

It all starts with getting real about what you want to achieve and then finding the type of person who's best suited to help you get there.

A Brief History of Standards

Listing job requirements is often as aspirational as it is pragmatic. "Suitable" is subjective. The most common prerequisites: education, job history, location, and diversity. But often it leads to judgment too quickly. Hiring is less like a puzzle than it is an orchestra looking for its magic musician.

From 2010 to 2019, using a college degree as a proxy for job competency eliminated 64% of working-aged adults who did not hold a four-year degree. Today, a growing number of companies are dropping the requirement for a bachelor's degree for many roles in favor of skills-based hiring.

A recent report from McKinsey & Company shows how having a diverse workforce isn't just politically correct—it's smart business. Companies in the top quartile for ethnic diversity are 12% more likely to outperform. There is a substantial likelihood of an outperformance differential 48% between the most and least gender-diverse companies.

What many companies miss is that becoming forward-thinking often requires us to become more human, not less.

”

Dig Wider, Not Deeper

When funding new start-ups, investors want to see people who can take a crazy ambitious idea and run with it. Potential trumps pedigree. Hire for “slope over intercept.”

Not everyone fits the mold, or checks all the boxes, or has every requirement perfectly articulated on their résumé. When the fit is exactly right, amazing things happen. But that’s the hard part: the right fit.

CHAPTER 2

Diverse Intangibles

We’ve all heard the myth: The entrepreneurial giants of the world had to fight their way to the top, single-handedly and against all odds. Myths are engaging—we love heroes—and the tale of one person’s trajectory is much easier to understand than that of a group. But success stories about the lone hero are misleading.

When we’re faced with pressure or complexity, it’s often the specific actions and skills of many, as opposed to those of one person, that make a complex endeavor successful—a bunch of individuals who make up a team, and the uniqueness each person brings to the table determines the team’s overall cohesiveness, productivity, and success.

Notice we said uniqueness, not talent. Research shows that groups of problem solvers with diverse viewpoints can outperform groups of high-ability problem solvers. The types of skills that come from different points of view doesn’t just beat raw talent. Diverse teams outperformed the teams made up of the very best individuals.

In today’s work environment, diversity, equity, and inclusion (DEI) is a top business priority. Done well, DEI actively recognizes that these diverse backgrounds, worldviews, ideas, perspectives, and cultural lenses are what influence innovation, efficiency, employee retention, and, yes, revenue.

In 2010, the Miami Heat tried to build a dream team by signing LeBron James, Dwayne Wade, and Chris Bosh. They lost the 2011 NBA finals. So the next year, instead of picking up another star, they picked up Shane Battier. He didn’t run pick-and-roll, couldn’t dribble, wasn’t fast enough, and

didn’t dish out many assists. But despite the obvious weaknesses Battier’s game had, when he was on the court, every one of his teams was statistically more likely to win.

Daryl Morey, General Manager for the Rockets in 2007, noticed Battier wasn’t grabbing huge numbers of rebounds, but he had an uncanny ability to improve his teammates’ rebounding. He didn’t shoot much, but when he did, he took only the most efficient shots. On defense, although he routinely guarded the NBA’s most prolific scorers, he significantly reduced their shooting percentages. Morey could see how the minute-by-minute action of the game tied to outcomes by using data that others couldn’t easily see.

Battier studied the data on the superstars he was usually assigned to guard. He soaked in information like that, and knowing the odds, he pursued an inherently uncertain strategy with total certainty.

When Kobe Bryant was in the game and Battier was on him, the Lakers’ offense was worse than if the NBA’s best player had taken the night off. Battier not only guarded one of the greatest and smartest offensive threats ever to play the game, but he also rendered him a detriment to his own team.

In Battier’s first two seasons with Miami, they won back-to-back championships. His data-based insights on his opponents was a key part of their strategy.

The five players on a basketball team are far more than the sum of their parts. Teamwork combines the individual efforts of each team member to achieve a common goal. And it’s the specific contributions of those individuals that give the team its edge.

The Big Picture

In 1969, NASA’s Neil Armstrong and Buzz Aldrin became the first men to walk on the moon. They wouldn’t have made it off the ground without the support of a massive team. As the Apollo 13 shuttle approached the moon, an oxygen tank exploded. Don Arabian, one of the experts consulted in such an emergency, asked questions and worked alongside colleagues to unlock the knowledge he lacked. The team gathered their supplies: plastic bags, hoses, socks, and duct tape. Little by little, the team’s solution evolved. It worked!

These heroes in Mission Control didn't have experience in space. But they each brought unique skills to the table. All of them had something to contribute that helped make the mission successful. As Kranz said, "I don't care what anything was designed to do. I care about what it can do."

The Case for Diversity

Diversity has become something of a buzzword. Diversity means variety and extends to such lengths as its name implies: a broad variety of racial, ethnic, socioeconomic, and cultural backgrounds and various lifestyles, skill sets, experience, and interests. Numerous studies have shown that diversity, both inherent and acquired, is associated with business success. A recent report found that those in the top quartile for ethnic and racial diversity were 35% more likely to have financial returns above their industry mean.

A study found that racially mixed juries led to more detailed deliberations and fairer verdicts. They were also much more willing to discuss issues of racism.

Prioritizing racial diversity allows companies to adopt different lenses to solve challenges. When Ursula Burns was named CEO of Xerox in 2009, she became the first Black female CEO to ever head a Fortune 500 company. Raised by a single Panamanian immigrant mother, Burns came "face-to-face with racism and sexism almost every day." These significant experiences gave her the gift of grit. During her tenure, Xerox increased revenue by \$5 billion and was named one of the "Top 100 Most Diverse & Inclusive Companies."

CHAPTER 3

State of the Union

We're living in a golden age of innovation. Advancements in artificial intelligence, robotics, cloud computing, blockchain, and algorithmic decision making have changed everything. But there's a catch. It's not a one-size-fits-all solution. When it comes to recruitment, the idea that implementing technology should simply follow a "plug-and-play" approach is overzealous. It's a combination of both new technology and optimizing people's ability to create value through human touch. Recruitment is all about people.

To think that an advancement in artificial intelligence (AI) or technology will change how we hire in one fell swoop is ambitious at best. AI will transform recruitment. Technology will make them superhuman at recruitment. We're in the recruitment business, and our insights revolve around optimizing the balance of people, data, and technology.

Best-Laid Plans

In the southern Chinese city of Guangzhou, restaurant chain Hweilai was going to replace its human staff with robots. Customers would soon deal with artificial intelligence robots programmed to perform all the tasks hosts, waiters, and chefs once did. Patrons flooded the restaurants. They were greeted by a robot that told them a joke; another robot featured a touchscreen; yet another robot prepared the food; a final robot acted as a busboy.

Despite initial intrigue, the robots quickly lost their novelty: special meal requests were lost in translation, drinks and bowls of soup were spilled, dishes were "unpalatable," and the lack of human interaction left guests feeling socially disconnected. The robots' reliability was low, the cost per robot didn't include high monthly costs, and vulnerabilities were causing cybersecurity issues. Within a year, its three "robot restaurants" failed.

Japan's Henn na Hotel opened in 2015 with a staff of 250 robots. But just three years after it opened, the hotel fired half of its robot "employees." The robots often malfunctioned, couldn't answer basic questions, could only travel on flat surfaces, and the robot room assistants would wake guests up repeatedly during the night. The robots weren't able to perform simple tasks that a smartphone could handle, and the droids at reception couldn't understand guests' names or make copies of their passports.

What many companies miss is that becoming forward-thinking often requires us to become more human, not less. Technology can make things more efficient, but that doesn't necessarily mean more effective. Just because you can doesn't mean you should.

CHAPTER 4

On the Shoulders of Giants

There was a great first-mover movement in the early 2000s. The idea was that the initial significant occupant in a given market gained an advantageous and perhaps insurmountable market position just by being first. Sony was the first mover in personal stereos, Coca-Cola in soft drinks, Hoover in vacuum cleaners, and Amazon in online book sales. But it didn't work that way for a lot of other ventures. Dumont led the way in selling TV sets but lost out to RCA and Motorola. Ampex had a commanding position in video recorders until Sony took over. Sidecar was the pioneer of ride-sharing yet Uber dominated. Netscape was the first to market an internet browser until Microsoft's Explorer.

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Companies who find long-lasting success do so by identifying gaps and ramping up execution in those areas, finding opportunities disguised as voids and throwing ingenuity and resources into solving those problems. That’s what Google did.

In 1998, there were numerous search engines such as Excite, WebCrawler, AltaVista, Lycos, Yahoo!, HotBot, MSN, Ask Jeeves. None had very good search capabilities; they weren’t that thorough or user-friendly. They were littered with ads and suffered from spam and relevancy issues. But then Google came along and eclipsed every last one of them.

Google ranked search results using PageRank, assigned each web page a relevancy score, used query expansion techniques, featured a search bar and little else, and understood that a search engine’s sole purpose was to get rid of users as quickly as possible. From the get-go, they rebelled against the orthodox view that “stickiness” was crucial. When they tried to sell their technology to Excite, the deal was a non-starter because Excite’s CEO wanted users to stay on the site.

It’s no wonder Google has proven to be the one with staying power. Its fresh and independent thinking translated to an ever-increasing dominance of the search engine market. It proved the power of prioritizing customer value above all else. Excessive ads, biased or irrelevant results, and chaotic designs were the norm, and we didn’t know there was a better way until Google launched.

Circa 1997, MSN, AOL, and Yahoo! added an email service. Inboxes were overtaken by spam and you had to constantly delete emails to stay under the storage limit. In 2004, Google launched Gmail, changing everything: blocked spam, grouped messages into threads, stored 1GB for free, and eventually rolled out Calendar, Maps, Translate, Chrome, Workspace, and Photos. Google tied things together and solved problems we didn’t even know we had.

The Office

We think of old recruiting methods in the same way we think of old search engines: not efficient, not user-friendly, and not good at understanding what you’re really looking for. Recruitment is historically slow. Employers implemented tools that automate, source, organize, communicate, assess, track, schedule, analyze, and facilitate the process. Many end up creating a recruiting assembly line and are drowning in tool chaos.

Recruitment is about people—their lives, their dreams, their next steps. People are looking for jobs that fit their skill sets, a job with a company that aligns with their personality and lifestyle, and an employer that both appreciates who they are and sees their potential. Technology can aid the process in strategic and important ways, but there are limits to what we can expect it to solve.

CHAPTER 5

The Future of Work

In the 1980s, data science revolutionized the credit market through default probability. Credit offerings were based on whether the applicant had a high or low default probability. Since banks earned income by managing risk, this was considered a logical strategy.

But in the early 1990s, two management consultants, Richard Fairbank and Nigel Morris, started to poke holes. They discovered that large banks were charging everyone a 19.8% annual percentage rate. Banks had a standard for extending credit, preferring people who lived in their homes for four years and had never been delinquent on their payments. They seemed to make no attempt to identify people who had been delinquent but might still be creditworthy.

Fairbank and Morris saw an opportunity for bank profitability using other metrics than just default probability. They recommended a radical idea: rebuild the credit-predictive system. Every major bank they pitched said no. Fairbank and Morris were undeterred. They believed that information technology was powerful enough to do sophisticated predictive modeling.

They finally garnered the interest of Signet Bank. If they could model profitability, they could make better offers to the best customers. It took five years to acquire the appropriate data. They started by conducting experiments where different terms were offered at random. Fairbank and Morris collected the standard data, but also aggregated behavioral data. They slowly built predictive models. Signet started a credit division, the credit card balance transfer became so popular and profitable that the division spun off and became Capital One.

Data Is as Data Does

Today, successful companies use data in significant ways. Netflix analyzes plays, ratings, and searches to identify what types of original programming should be developed. Procter & Gamble aggregates and filters external data. Starbucks utilizes data on customers' request inclinations and purchasing behavior to send out tailored offers. McDonald's uses real-time variables, weather, time of day to change the digital menu boards in the drive-thru, Amazon analyzes customers' purchasing patterns. The US Women's Soccer Team uses heart rate sensors and GPS systems to monitor performance.

Data can shed light on almost every aspect of an organization or industry and play a crucial role in providing value to both companies and consumers. And with how accessible all of this information has become, it's no wonder data crunching has become the cornerstone that it has. The recruitment industry is no different; data is increasingly being used in every part of the funnel.

Software Eats Recruiting

Treating humans as data points can be positive or negative, boiling them down to just a few key numbers is a huge miss. We can learn so much about people, but only if we approach it in the right way.

Connectivity is lacking in recruitment today. What people are looking for is always changing. Our lives are impacted by everything from technological advances to market shifts, environmental conditions to political unrest, social justice standards to global pandemics. These consequential factors directly influence our priorities, choices, demands, and expectations. Humans can't comb through profiles to find the important features. AI misses nuanced things that make someone a viable option.

There needs to be a solution that bridges the gap. There needs to be machine learning coupled with clever product parameters, lots of good data, clearly defined problems, careful decision making about what and how to automate, and great software experiences around these constraints. There needs to be a complete end-to-end recruiting platform designed to put people first.

CHAPTER 6

The Culture Crutch

On average, Americans spend 90,000 hours at work over a lifetime. That's a huge chunk of our lives, and only trumped

by the number of hours we spend sleeping. Not only do we spend more than one-third of our waking hours on the job, but we all know how jobs have a way of bleeding into every aspect of our life, significantly impacting its overall quality.

A recent study by PwC showed that meaning and fulfillment at work is the new standard employees expect of their work experience. When thousands of employees were asked if they felt fulfilled at work, 49% of them answered no. Yet when those same people were asked whether or not they felt it was possible to be fulfilled at work, 96% said yes.

Recruiters are no different. Ask any recruiter, and they love the satisfaction of helping someone find their next new thing. Companies grow through their people, and recruiters are key representatives of the company. They need to take the time to figure out what's best for everyone. The clear separation between people knowing it's possible yet being unable to achieve it is distressing at best.

There's a saying in the ad world: Don't tell me how good you make it, tell me how good it makes me when I use it. Too often, company culture works the same way. Candidates are lured by the promise of how much better their lives will be once they're hired. But what happens afterwards? They quickly realize that 95% of their time is spent doing work, and only 5% of their time is spent playing Ping-Pong while drinking a beer. Toys lose their charm, the fluff wears off, and the work matters. The key parts of what makes a team work well together need to be there.

The Culture Deck

Netflix has been one of the most sought-after places to work. CEO Reed Hastings and his colleagues created the simple PowerPoint presentation to explain its management philosophy, including how the company shaped its culture and motivated performance. Netflix offered unlimited vacation days, uncapped expense accounts, an open-ended parental leave policy, and no micro-managing. The premise of its approach was that high performers didn't require hand-holding; the higher the quality of the workforce, the less the need for rules. Netflix viewed its employees as members of a pro sports team—as opposed to a family—in which every player had to be a star performer or they'd be cut.

In 2021, cracks began to show. Critics were vocal with their disapproval over what they perceived as transphobic and homophobic comments. Netflix employees did not feel heard—where does Netflix draw the line between commentary and hate speech.

Who you have on your team is the most imperative yet under-appreciated determinant of growth and success.

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Days passed and questions remained unanswered, instead co-CEO Ted Sarandos wrote an internal memo, “If you’d find it hard to support our content breadth, Netflix may not be the best place for you.” Sarandos later acknowledged he “screwed up that internal communication” and “should have led with a lot more humanity.” Company morale was at an all-time low, support from the LGBTQ community waned, subscriber rates fell, and Netflix’s stock price slipped.

The Perks of Being a Worker

There are so many ways that companies try to keep employees happy. Back then, fringe benefits consisted of paid vacations, pensions, and the occasional company car. By 1980, benefits expanded to meals and lodging, dependent care assistance, and parsonage allowances. In the 1990s, companies offered perks like club passes, employer-paid legal help, errand runners, and stock options. Many tech companies followed suit. These perks transformed the face of work but do not solve the root of what people want.

Today, employees are more socially conscious. People want to work for companies that positively contribute to society. Companies like Coca-Cola and Ameritech offer donation matching and time off to volunteer. Others like Clif Bar and Honest Tea have a bike to work program. Nike and Apple have pledged to “go green.” DHL upgraded delivery trucks to hybrid vehicles. Patagonia donates 10% of its profits to environmental causes.

Another thing employees want: flexibility. The pandemic fundamentally changed what people were looking for. Nearly a third of workers sought a new job because their workplace didn’t offer flexible work opportunities; 80% said they would be more loyal if they had flexible options. Companies like Hubspot, Vistaprint, and Twitter now let employees choose how and where they work.

Fulfillment—we all want it, chase it, and some even claim they’ve found it. For many, fulfillment means pleasure and satisfaction. Others define fulfillment as the completion of a goal or a promise. To us, fulfillment doesn’t mean momentary happiness or the accomplishment of something. Fulfillment is about engaging every part of yourself in pursuit (not achievement) of a goal; it’s about doing work that you enjoy and that grows with you over time.

CHAPTER 7

A Human-Centric Workforce

Businesses thrive when work is a source of fulfillment for employees, and fulfillment emerges when great teams come together for meaningful work and growth. Fulfillment, meaningful work, and growth are personal benchmarks; they mean different things to different people.

Whether you call the recent tectonic shifts in our job market the Great Resignation or the Great Reshuffling, they reflect widespread disenchantment with the role work plays in our lives. Jobs need to meet the aspirations of people as much as people need to meet the requirements of jobs.

Aspirations are what get us up in the morning and keep us up at night. Imagine if a candidate’s aspirations were taken into account during the hiring process. Who can this person become within this role? Will both parties benefit from the employer-employee relationship? Is there a shared sense of purpose? It prioritizes alignment as a crux of the hiring process, decreasing the odds that companies and candidates discover they’re mismatched after the fact. It looks at them not as a resource or a problem, but as a source and an engine.

The Frontliners

Best Buy had been on a steady decline for nearly a decade. After CEO Brad Anderson stepped down in 2009, Brian Dunn succeeded him and attempted to reverse course, but stores fell into disrepair, the staff grew complacent, sales dropped, and the stock price slid. Dunn ultimately resigned following reported indiscretions.

By the time Hubert Joly became CEO in 2012, the company had just posted a staggering \$1.7 billion loss in its fiscal fourth quarter, and Best Buy’s stock fell 10% on the day he took over.

Joly had no retail experience. Stakeholders encouraged him to cut costs, close stores, fire a bunch of people—but Joly said no. He needed to change the company’s approach to managing its people.

When he became CEO, he gave up the executive suite, reinstated employee discounts, and worked in stores for a week—complete with blue shirt, khakis, and a badge that

read “CEO in Training”—so he could spend time with the staff, whom he called the “frontliners.” He heard from store managers about how stressful it was to be expected to measure 40–50 KPIs and from employees about how deflating it felt to speak with a customer for 30 minutes to only have them leave empty-handed.

Following these insights, he decided that the overarching question—*how do we get revenue and margins to go up instead of down?*—was the wrong question. He felt that the fate of the company came down to a different question: *How do we become more human?*

The way forward was obvious and as simple as Joly’s plan itself: *We’re going to treat each other as human beings and treat customers as if we’re their inspiring friend.* Customers didn’t want salespeople; they wanted someone who could patiently and knowledgeably guide them to the best technology products for their needs.

Joly’s people-centric turnaround included far more: he offered more benefits like behavioral health coverage and wellness programs, started an intramural sports league, and invested in the engagement and proficiency of the sales associates through one-on-one coaching. When Joly stepped down in 2019, Best Buy had posted five consecutive years of sales growth and its stock price had quadrupled.

The Proposition

An employee value proposition (EVP) represents everything of value that the employer has to offer its workers. It’s a statement of intent packaged as a mutually beneficial covenant, but it can only be a win-win situation if the EVP of an organization matches what someone values. EVPs have long been managed by the same three principles:

- who (employees)
- what (exceptional employee experience)
- how (delivering features that match employee needs)

As Dr. Serena Reep says, “Concentrate on the soil.” Concentrating on corporate soil doesn’t mean providing “more stuff.” It means ensuring they feel connected to the worth of the work itself. Worth can be found across every sector, organization, role, and task.

Unhappy employees are bad for business. Monetarily, they cost companies \$550 billion each year. But happy, engaged employees? They perform better on nearly every metric—they’re three times more creative, 37% better at sales, 19% more accurate when performing tasks, and benefit from myriad health and quality-of-life improvements.

When work is a source of fulfillment, employees’ aspirations are in line with the work itself. Productivity and engagement go up. Teams are united. Businesses flourish and industries thrive.

Jobs need to meet the aspirations of people as much as people need to meet the requirements of jobs. Recruiters tap into this dynamic at the first point of contact—the hire. Finding talent has never been easy, and it’s harder than ever today. Talented people aren’t breaking through to the work they most want to do, and companies aren’t finding the candidates who best align with their missions.

The current hiring market is competitive, expensive, and doesn’t result in either party reaching their full potential. Yet everyone’s still relying on the same, outdated recruitment processes that only perpetuates the widespread dissatisfaction.

Conclusion

In a business world that focuses so much on the *how*—five-year plans, strategies, projections, marketing, product differentiation—far too few focus on the true foundation of a successful operation: the people. *Who* you have on your team is the most imperative yet under-appreciated determinant of growth and success. The only *how* that’s applicable here is how you’re going to find them.



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