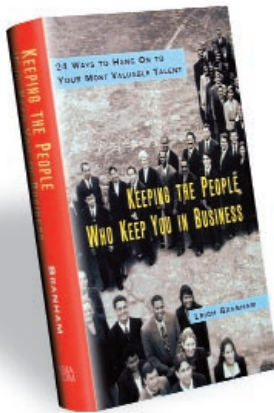


SOUNDVIEW Executive Book Summaries®

FILE: HANDS-ON MANAGEMENT



By Leigh Branham

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 ...



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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.

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The author: Leigh Branham is Vice President, Consulting Services with Right Management Consultants, one of the world’s leading human resources consulting firms.

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Key #1: Be a Company That People Want to Work For

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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-**

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.

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.

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Key #2: Select the Right People in the First Place

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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.

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Key #3: Get People Off to a Great Start

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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.

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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**
- **Achievable**
- **Time-bound**
- **Measurable**
- **Results-oriented**

Key #3: Get People Off to a Great Start

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- **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.

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Key #4: Coach and Reward to Maintain Commitment

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- 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. ■