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The Triumph of People Power and the New Economy

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Products can be copied. Technology and training can be duplicated. No one, however, can match highly charged, motivated people who care. For that reason alone, people are one of the three key enablers of the new business model, which views companies as systems in addition to their independent parts.

At all levels, companies need people who can deliver at the frontier of performance. They must understand where the company is going and be able to influence its path. They must be willing to share in its fortunes and be motivated to push for greater achievements. They are the ones ultimately entrusted with the competitiveness of the corporation. They are the repository of much of the knowledge and skill base that makes the firm competitive. No company can be successful with a detached and unmotivated work force.

THE CHANGING RELATIONSHIP

Of the radical shifts that result from the new business model, none is more significant than the new relationship it requires between the company and its people. While we talk about how fast the business environment has changed, probably no dimension is changing faster than the dynamics between employer and employee.

The epitome of the traditional model was the "company man" of the 1950's and 60's. When Charles Handy, the prominent European management guru, first joined Royal Dutch Shell about 40 years ago, he recognized that Shell, at its whim, could repeatedly shuttle him and his family anywhere in the world. His first loyalty had to be to the company if he was to advance in his career. But in that process, he knew the company would take care of him and his family's needs over both the short and the long term.

In short, in the days of the company man, employers offered job security and a stable work environment with rising responsibilities and pay in return for loyalty and acceptable performance.

But this kind of relationship is now exceedingly rare. Today, companies must continually reinvent and restructure themselves to gain competitive advantage. The consolidation of industries, the growth of global markets and the increased presence of activist investors have exacerbated competitive pressures. This demands doing more with less.



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At the same time, technological innovation, the rise of customer-driven markets and regulatory actions are dictating new skills for a company to be successful. This poses significant challenges for companies in recruiting, developing and retaining skilled staff. In a 1996 study by the Conference Board, 43 percent of companies reported that they had problems finding and keeping high-quality workers. Meanwhile, global markets are forcing companies to redeploy resources throughout the world. In some cases, they are finding that the bulk of their growth opportunities exists in new areas, like China and India. But they are also sometimes finding that they do not have enough people with the suitable skills, cultural sensitivities, language ability -- and willingness -- to relocate there.

From the employee's perspective, the world is also changing rapidly. Companies have repeatedly demonstrated that there are no guarantees when it comes to employment, and people do not expect any. Yet, downsizings or right sizings have cut deep and affected the psyche of the average person on the street. Many workers see little benefit in doing anything that requires "going the extra mile." On the other hand, employees realize that their greatest security is their skills and that there is a very attractive market for talent.

Demographics and cultural aspects are also changing the composition and preferences of the work force. More women are entering the labor market and more households than ever are supported by two income earners. Lifestyle issues are more important in general as the "New Age" work force seeks some kind of balance. People are becoming highly trained and mobile, if not geographically, at least across companies. This has dampened the willingness of many people to relocate just because the company feels they should.

Furthermore, the changing relationship between companies and employees is reflected in our communities. From the perspective of many communities, an era of corporate social responsibility has largely passed. Relationships between companies and communities are increasingly strained. In a period of continuous restructuring to achieve and maintain competitive advantage, stability, equity and job growth can be hard to come by in many places.

THE 'NEW PEOPLE PARTNERSHIP' MUST FULFILL THE BUSINESS NEED TO:

- Continually improve performance and enhance value to shareholders.
- Enable the company to attract and retain top talent.
- Motivate all employees to work to their fullest potential.
- Develop the skills of white- and blue-collar workers.
- Balance the interests of all stakeholders, including shareholders, employees, unions, government and society.



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Consider the case of Aaron Feuerstein, the owner of Malden Mills, a \$127 million manufacturer of Polartec fabric based in Massachusetts. When fire destroyed the company's plant facilities, Mr. Feuerstein was hailed as a hero in the press around the country. Why? For what was perceived as his unusually high commitment to the community and to employees by keeping people on the payroll throughout the extended rebuilding effort.

The reality today is that Malden Mills is a true exception. Wall Street often reinforces announcements of job cuts with significant stock price increases. Beyond the issues of economic stability, relationships between communities and companies have also been strained by recent press accounts and court cases involving racial and gender equality in hiring and promotion. Community groups are placing increasing pressure on companies to make visible changes to what are considered unfair practices.

In many ways, these are worldwide issues as companies everywhere -- from Latin America to Europe to Japan -- face the ongoing challenge of restructuring.

The irony in all of this is that if you examine most corporate declarations of values, vision or strategy, you will spot something like the following statement: People are our most important asset.

It sounds awfully nice. Alas, the paradoxical fact is that the statement usually just sits there as little more than a mute reminder of what could be. If companies only behaved in a manner consistent with such endearing rhetoric, we would have a much more productive and contented society of workers, and much sturdier and more successful corporations. But, loquacious as they are in touting the worth of workers, most companies fail at what matters most, and we are paying the consequences.

In one recent survey, nearly two-thirds of those questioned said that employers are less loyal than they were a few years ago. In turn, 58 percent said that employees are less loyal to their employers. Only half of employees feel especially secure in their jobs. Hardly the foundation for a successful enterprise.

The bottom line is that a successful corporation must be able to craft a new relationship with its employees -- it must be able to live the ideals of people power, rather than merely talk about them. This "New People Partnership" must fulfill the business need to:

- continually improve performance and enhance value to shareholders.
- enable the company to attract and retain top talent.
- motivate all employees to work to their fullest potential.
- develop the skills of white- and blue-collar workers.
- balance the interests of all stakeholders, including shareholders, employees, unions, government and society.

Accomplishing these goals requires navigating a tricky road -- reconciling the stated concern about people and the understanding that people are the key enablers of corporate success with the waves of downsizings, attacks on corporations and rampant insecurity rippling through the work force.

THE EMERGENCE OF A NEW PEOPLE PARTNERSHIP

What exactly is the New People Partnership? Reduced to its simplest terms, the partnership is the full implementation of the new realities that exist between the corporation and its employees. Specialized skills are increasingly required by firms, yet these skills are what make employees more mobile in the marketplace. Since companies can no longer guarantee lifetime job security, a new quid pro quo is needed. Thus, in the New People Partnership, the company assumes responsibility for investing in the employee and providing work that makes the individual "employable" in the marketplace. The employee owns his or her career and takes on the burden of building the capabilities that add value to the organization and insure his or her own marketability. The employee and the company work together to insure that the organization meets market needs and is successful, since ongoing success provides the context for ongoing employment.

Competitive realities are already inducing companies in some industries to move toward the New People Partnership. High-tech companies have shared an accelerated urgency to forge a new relationship with their employees. Phenomenal growth has accentuated the need to come to different terms with employees. These companies provide some leading-edge examples of where, ultimately, all must go.



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RESCUE OF INTEL

The Intel Corporation was one of the first companies to move toward the concept of the New People Partnership, believing that maximizing job satisfaction and career opportunities for employees could bring higher productivity. The new concept is aptly explained by the chief executive, Andy Grove: "The only thing you can rely on is your ability to end up where the invisible hand of the economy wants you to be. Our phrase for it is, 'owning your own employability.'"

Intel realized it had to rethink the traditional relationship when the decision to exit the business for producing dynamic random access memory (DRAM) forced the company to cut its work force by 30 percent and shut down eight plants in 1985. Since that time, Intel has emphasized its "own your career" philosophy, believing that people development has to keep up with changes in business technology.

Innovative processes and programs have been designed to meet business requirements, support the new philosophy and establish a balanced relationship. First of all, the company committed to open communication. Employees receive an update on the state of the business every quarter. It commences with a video explanation of the most recent financial results, a fairly open and detailed discussion of the market and challenges looking forward and a summary of the marching orders for the next 180 days, presented in the context of changing skill requirements.

The chief executive is involved in the delivery of the corporate part of the message. It then cascades down into the organization, rather than getting distributed centrally. To reinforce the importance of the communication process, a survey is sent out every quarter asking each employee to evaluate the video, the corporate part of the presentation, the length of the presentation and the effectiveness of his own manager's presentation.

Intel also accelerated its investment in training, so that it now spends 6 percent of its annual payroll on programs that range from technology and management issues to corporate values and culture. A stunning 2,800 courses are provided, and senior managers get up before the blackboard and teach at least once every quarter.

The company, which added 9,500 people to its rolls in 1995, has an extremely active internal posting program to help employees evaluate career options. Almost all jobs are posted and accessed on computers. Employees can get their names in the hopper simply by sending an E-mail to the job owner. Guidelines have been established, and an employee is encouraged to tell his or her manager that he or she is applying for a particular job. The current manager can overrule a move because of critical skill requirements, but this doesn't happen very often. Managers don't want to see good people leave the company, so they support the program voluntarily.

At Intel, each employee receives a formal annual review. During this review, individuals are told three things:

- 1) how they rate against expectations of the job -- outstanding, successful or improvement required;
- 2) how they rank against others performing similar work -- top, middle or lower third;
- 3) how they are trending -- faster, equal to or slower than others. If there are sustained performance problems, a corrective action plan is developed with a timetable of three to six months. Feedback on a 360-degree basis is given to everyone, even the C.E.O.

The employee then puts together and drives the process of preparing development plans. A career development center with a variety of counseling and career resources supports employees in preparing their plans and determining longer-term career options. Rewards are clearly linked to performance. About a third of each employee's pay is tied to company and/or divisional performance, and all of the workers have rights to purchase stock options. The way Intel management sums this up is, "The reward system reinforces the company's high expectations of its employees to grow, learn and lead."



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The company monitors changing skill requirements and institutes a redeployment program when it becomes necessary to downsize a business. Under this program, managers effectively lay off people, and the head count of the business unit is moved off the payroll. These excised people enter a redeployment pool under the auspices of human resources.

Once in the pool, employees generally have four to six months, and can do one of three things:

- 1) search for another job within Intel;
- 2) seek additional training that will enable them to pursue a new position;
- 3) take a temporary assignment that doesn't count against their time in the pool.

By no means is the redeployment pool a dumping ground for performance problems. Poor performers don't get a chance to join the pool; instead, they are forced to leave the company. The company treats redeployment as a benefit, spending \$6 million to \$10 million a year on the program.

Two vignettes about Intel employees show how the system works.

In the spring of 1992, after 12 years as a production specialist at an Intel semiconductor plant in Folsom, Calif., Joe Silva greeted the news of a departmental downsizing with neither dismay nor resignation. In fact, he looked on the demise of his dead-end job as a lucky break. As he put it, "I felt that I never had a chance to grow."

Of course, Mr. Silva also knew that Intel wouldn't summarily throw him on the street. About two years before, the company had adopted its redeployment policy. While it calls upon workers to identify their own potential talents, learn new skills and search for opportunities, the policy also demands that Intel managers take chances on people like Mr. Silva.

Within three weeks, Mr. Silva found an opening, arranged an interview and convinced the manager that he could learn the necessary skills, including phone installation, cable management and setting up networks. Mr. Silva now intends to study other communications fields and, as he says, "learn more within the department and maybe become a planner."

About three years ago, a maintenance technician at an Arizona plant had a heart attack. The technician, Roger, was in his mid-40's. His cardiovascular condition prevented him from returning to his old line of work, which required him to climb ladders, crawl into tight spaces and perform other strenuous tasks. To remain with the company, he would have to find a sedentary job.

"Even though he'd had no education beyond high school, Roger had an interest in computers," says Maureen Shiells, who manages a group that deals with Intel employees on disability leave. "We had him talk with different computer folks to see what he might like, and after that Roger went to a junior college to learn computer programming. The people at the plant found him an old surplus computer to use at home. Meanwhile, he would work one day a week, so we could keep him on full benefits. In two years, after earning his associate degree, he started full time as a programmer."



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3COM

The 3Com Corporation, one of the nation's leading global data networking companies, has moved aggressively toward establishing a people partnership based on the concept of employability. 3Com has been growing at an annual rate of 50 to 75 percent, and one of the key reasons is the company's handling of people.

Half of its work force have less than one year of service, and 20 percent are independent workers. The company added more than 1,200 jobs in 1995. Roughly half of the workers are nomadic, meaning they can and do work anywhere.

3Com stresses interdependence, not loyalty, as the basis of the employer-employee relationship. It seeks commitment from employees as part of an adult relationship in which self-esteem and power come from within the individual.

Debra Engel, the senior vice president for corporate services at 3Com, is careful to draw a distinction between loyalty and commitment. She cautions against "blind-faith loyalty" -- in that kind of environment, she feels, it is difficult to keep people shaken up and moving forward. Given the rapid pace of growth in its industry, speed is a critical requirement for 3Com. The "old Silicon Valley culture" produced sluggish, dependent organizations that move far too slowly in an environment where half the revenue stems from new products.

At 3Com, this new employee relationship shows itself in a sense of urgency, high productivity, high commitment, collaborations and adaptability/flexibility. Ms. Engel believes that people crave honesty, openness, meaningful work, learning support, recognition that they are whole people and more control over their lives. The new employment relationship moves from dependency to interdependency, from paternalism to partnership, and from entitlement to earning what you get.

People systems are designed to drive commitment to results and productivity. At 3Com, for instance, all jobs are posted, no matter how high. For every job, searches are conducted on both the inside and the outside. This accomplishes two things: it keeps the tension on people and it lets people refer others they know who might be appropriate. At the end of the day, about one-third of the positions are filled internally.

3Com also provides easy access to services that enhance productivity. For example, 3Com offices are outfitted with such niceties as fitness centers, dry cleaners, shoe and car repair services, video rental counters and car washes, not to mention Starbucks in the lobby. But these are not treated as entitlements, as they are at other companies. 3Com charges for all of them and requires that they at least break even, as well as stimulate productivity. 3Com will consider almost any proposal for a new service that makes business sense and can satisfy the break-even requirement.

OTHER EARLY ADOPTERS

High-tech companies are probably the furthest along in terms of developing and implementing the New People Partnership, but they are by no means the only companies that are moving in this direction.

Richard M. Kovacevich, the president and chief executive of the Norwest Corporation, says it all too well: "The primary responsibility of business managers is to influence the hearts and minds of our people, consistent with the culture of Norwest, so they care more about our business than competitors care about theirs."

At Norwest, career development is very much a shared responsibility. Employees are expected to take charge of their own development, understand the competencies required for the next job and then enroll in Norwest training courses to build those competencies.

Southwest Airlines has built an effective people system by tightly linking its people processes with an emphasis on customer service and cost management. The company stresses business priorities that make a difference: intense commitment to customer service and a focus on maintaining low costs. Southwest puts great stock in a family culture with a high degree of loyalty. Heavy emphasis is placed on social interaction, creating a fun work environment and sharing information.

Employees enjoy an informal communication style and complete access to all levels of management. The chief executive, Herbert D. Kelleher, is known to everyone as "Herb." He maintains an open-door policy that allows line workers to contact him, and he promises to respond to employee ideas or questions within five days.



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FIVE KEY PRINCIPLES OF THE NEW PEOPLE PARTNERSHIP

1. Both parties commit to employee well-being as a core value.
2. Open communication forms the foundation for the day-to-day relationship.
3. Employees manage their own careers.
4. Employees gain "employable" security by building critical skills.
5. Accountability for performance extends to all levels of the organization.

The strength of Southwest's relationship with employees allows it to sustain a superior cost position and exceptional performance. A lack of work rules that are common in the airline industry enables Southwest employees to work longer hours and to perform multiple jobs. The longer hours mean higher weekly paychecks for the workers, while the company enjoys lower hourly labor costs. Southwest's work force delivers superior service -- measured by on-time performance, fewest lost bags and fewest number of customer complaints -- and produces higher aircraft utilization through faster turnarounds. At Southwest, turnover is the lowest in the industry, despite the lower hourly wages, and the company has never had an employee furlough or layoff.

Non-trained knowledge professionals may have the most difficult time in this new employment environment. Employees without specialized skills or even basic education face unique challenges in today's changing world. Companies and employees must work together to develop relationships that will provide these employees with basic skills while still supplying the company with an efficient and competitive work force.

The Marriott Corporation is finding creative ways to deliver big gains in productivity and service levels with its staff of more than 130,000 hourly workers. These low-wage employees -- including housekeepers, dishwashers and laundry staff, who average about \$7 an hour -- typically present a host of problems from an employer's perspective: lack of education, little knowledge of English, poor attendance, culture clashes and so forth.

Marriott has found that it cannot ignore the needs of this work force -- in times of low unemployment, replacements are not easy or cost effective to find -- and has stepped up to the challenge of making the system work with the people it has. Instead of raising wages, Marriott has focused on helping solve workers' problems, whether by having managers spend time counseling individual employees about child care, providing English as a Second Language courses on site or setting up its Associate Resource Line, which employees can call (in more than 100 languages) to obtain the services of a social worker. Marriott estimates it will achieve a savings of five times its \$2 million investment for the resource line in reduced turnover, absenteeism and tardiness.

COMMON THEMES AND PRINCIPLES

Clearly, each of the companies we have mentioned is pursuing an employment relationship and set of human resource policies that make the most sense for its unique situation, and they are at different stages of implementation. Keep in mind that the New People Partnership is not a rigid prescription but a flexible concept that must be adapted to the demands of each company. And clearly, the need for defining a New People Partnership will fluctuate by industry and certain company attributes.

As we look across industries and companies, we find that a New People Partnership is becoming particularly important for companies:

- with a heavy dependence on technology, where skill requirements change rapidly as technology advances, thus requiring a more highly trained and flexible work force.
- with a high degree of customer interface, where employee satisfaction is a critical driver of customer satisfaction.
- in industries with significant competition, where employee productivity is critical to market success.
- in industries where people are the sole source of competitive advantage and where reliance on the demonstration of individual skills makes it critical to attract, develop and retain talent.
- in markets where there are labor shortages and it is critical to attract and retain key talent.
- with a strong government or trade organization role and high expectations of providing ongoing employment.
- with a large, decentralized structure, where isolation from other staff increases the importance of establishing clear common goals.



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What are the principles that define this New People Partnership? A successful partnership is a coherent set of people systems and processes that reflects the business environment, individual company strategy and organizational values. Each one will be unique to a company and its employees. But there are some common threads and lessons that can be learned from all the companies that are exploring the New People Partnership. Boiled down to its essentials, there are five key principles to this partnership. Let's look at how each of these principles works and what it means to implement them.

➤ Both parties commit to employee well-being as a core value.

The first step toward a New People Partnership is a commitment to the well-being of employees. As Robert Saldich, the former chief executive of the Raychem Corporation, said, "Companies must shift from using and then harvesting employees to constantly renewing employees."

Unless both the employer and the employee abandon any illusions and agree that employee well-being is a core value, the New People Partnership will surely disintegrate. This commitment has to originate at the highest level in the corporation and be expressed through more than sheer rhetoric. It must be embodied in everything the company does and everything it communicates internally and externally. And there must be a coherent link between the people strategy and vision and the business strategy and vision.

To begin to think about how to understand and implement this principle, a company must first articulate, and preferably quantify, how employee well-being affects organization performance. While the logic is reasonably straightforward, the real business case for sustaining and improving employee well-being can be hard to make. In the hospitality and airline industries, one can define the link between front-line employee satisfaction and customer satisfaction. In many of these cases, the costs of high turnover can be readily quantified. In the high-tech arena, where companies have aggressive growth objectives and there is a shortage of the most highly skilled labor, the cost of turnover can be substantial.

But in other industries, the business case can be harder to develop. And without the business case, it can be difficult to instill employee well-being as a value if it has not been viewed as one in the past.

At the same time, the employees must make the business argument for programs designed to bolster their well-being, and they must appreciate the relationship between their well-being and the organization's performance. 3Com's ongoing commitment to evaluate and provide any service (whether a car wash or a dry cleaner) that improves productivity and meets the break-even requirement is a clear example of this practice at work.

Another example of this principle is at Motorola Inc. Motorola has developed a broad-based approach to identify, resolve and elevate employee issues. In what is called the Individual Dignity Entitlement Program, employees are asked to answer the following questions every quarter and review them with their supervisors:

- 1) Do you have a substantive, meaningful job that contributes to the success of Motorola?
- 2) Do you know the on-the-job behaviors and have the knowledge base to be successful?
- 3) Has the training been identified and made available to continuously upgrade your skills?
- 4) Do you have a personal career plan, and is it exciting, achievable and being acted upon?
- 5) Do you receive candid positive or negative feedback at least every 30 days that is helpful in improving or achieving your career plan?
- 6) Is there appropriate sensitivity to your personal circumstances, gender and/or cultural heritage so that such issues do not detract from your success?

For any question to which the answer is "no," there is an established process for bringing the issue to the attention of the supervisor's supervisor. Unresolved issues bubble up all the way to the C.E.O.

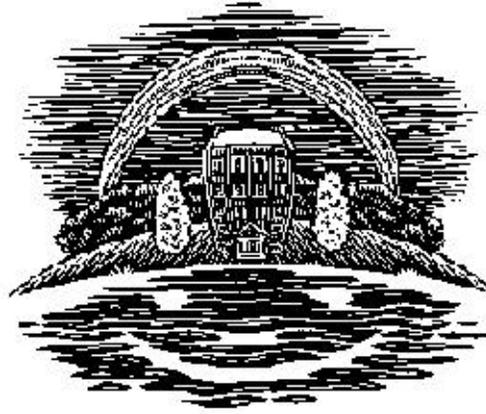


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➤ Open communication forms the foundation for the day-to-day relationship.

In this new approach, the burden is fully on the company to clearly communicate the basis of the employment relationship to all its employees and to keep them abreast of issues facing the company and the implications for them as individuals. For companies that have typically been reluctant to share information until necessary or until the desired course of action becomes absolutely clear, this may constitute the most formidable challenge to breathing life into the New People Partnership. It requires new confidence, trust and flexibility.



3Com has committed itself to an open communication process in which managers tell employees what is going on and what it means for them. Most departments hold weekly meetings to discuss the state of the business and the implications for employees. At Intel, every new employee participates in seven seminars during the first year of employment that cover the company's values, culture and business, and spell out the employee behaviors that go along with living the Intel values. Every quarter, Mr. Grove, the C.E.O., provides a two-hour overview on the state of the business.

➤ Employees manage their own careers.

For employability to work effectively, employees must actively seek and create their own career opportunities. They need to communicate openly about personal and professional needs and expectations. And they must be afforded unrestricted access to alternative job opportunities in the company.

What does this mean for the company? For one thing, it must support employees in identifying and evaluating job opportunities inside and outside the company, helping them to build a customized career path. In this environment, there is no stigma attached to looking for a new job, there is limited ownership of people except in cases of critical skills and there is a recognition that employability and managing careers are in the best interest of both the corporation and the individual. This is about a mutual investment that creates real barriers to separation, and it is about genuine trust in each other.

Many companies have formalized their job posting processes. They are also setting up career development centers, which help workers identify their own talents, learn new skills and search for opportunities, wherever they may be.

Raychem provides additional insight into career management under the New People Partnership. At Raychem, all jobs are posted. Any employee can accept a new assignment after giving just two weeks' notice to his or her current manager. As a result, Raychem is seeing appreciably more movement of people laterally and across functions. For example, an organization development person settled into his new position after stints as a controller and logistics manager.

Raychem has also placed significant emphasis on individual development planning. Everyone in the organization, including all operators in the plants, has a written development plan. Everyone is on "community feedback," a simplified version of a 360-degree review in which three to five people are selected by the employee and his or her manager to provide feedback. Each employee has a quarterly update to determine how well he or she is doing in terms of this development plan. One of the first and most visible steps Raychem took in promoting the new employment relationship and the concept of employability was to provide on-site career services.



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➤ **Employees gain security by building critical skills.**

The notion that employees must learn critical skills to insure their employability rests at the very heart of the New People Partnership. Employees are furnished extensive opportunities to build skills that are desired in the marketplace, not just in their own company. Learning and people development are entwined in all aspects of the business.

But it is not a one-way street. Employees must also commit themselves to continuous learning to develop these critical skills. The days when someone is promoted because of who he knows and his exquisite understanding of the politics and processes of the company are numbered. What matters is what you know and how you get things done.

In an organization like Intel, employees must take personal accountability for learning and building their skills. Intel provides the resources to support learning through its training programs and career centers. Employees must understand their own performance reviews, as well as their own goals and objectives, and lay out a plan that addresses both.

Perhaps more than any other company, Motorola has committed itself to the concept of lifelong learning. Motorola was one of the first to truly integrate education with business targets. At Motorola, gaps between strategic objectives and skill levels set the stage for training and development goals. Comprehensive training systems have been developed to support strategies (e.g., the Six Sigma Defect Reduction Program). The company has committed the resources to make it happen. Motorola University, established in 1981 with a budget of \$2 million, now has some two dozen sites worldwide and a \$120 million budget. Every Motorola employee receives at least 40 hours of training annually. Many training courses have been offered not only to employees, but also to suppliers and customers. Motorola utilizes apprenticeship or "embedded learning" -- new employees learn tasks under a more experienced worker's guidance, in addition to formal training.

And Motorola has had the dedication to stay the course. While it is difficult to measure the rewards of training, Motorola claims that each training dollar yields \$30 in productivity gains over three years. Its commitment to lifelong learning extends beyond training current employees to improving students' preparation for the workplace -- investing millions in a campaign to overhaul school curriculums. As Robert W. Galvin, the company's chairman of the executive committee, has said, "Today, we spend hundreds of millions of dollars on training. These items don't 'cost' us any money because they make each of us a little smarter, a little more competitive."

➤ **Responsibility for performance extends to all levels.**

An important tenet of the New People Partnership is that employees take personal responsibility for the company's competitiveness. They have to accept the reality that their personal future and the attractiveness of their jobs are directly tied to the company's performance. Accordingly, employees are held accountable for the organization's performance at all levels, and the performance of managers is measured against the New People Partnership.

Again, this means some notable changes in the way a company evaluates and rewards its work force -- linking pay with organization performance and offering employees the opportunity to share in both the risks and the returns.

At Norwest, 85 percent of employees are shareholders. As one employee puts it: "We think and act like owners because we are. With 85 percent of us owning stock in Norwest, we are aligned with the interests of shareholders, have a growing stake in the company and are rewarded through a higher stock price for ideas that improve efficiency, enhance service to customers and increase sales."

MAKING THE NEW PEOPLE PARTNERSHIP HAPPEN

Make no mistake, implementing the New People Partnership is no easy assignment. The concepts are relatively straightforward, but executing them in a coherent and consistent manner that fits one's own company is very difficult. It requires a clear link between the business strategy, the people strategy and measures and rewards. This means a fundamental transformation in many companies. To accomplish it requires:

- determining the business imperatives that mandate a New People Partnership.
- developing a people strategy that is clearly linked to the business strategy.
- defining the principles that will guide the partnership.
- designing or redesigning human resource processes.
- establishing quantifiable measures and a process for tracking implementation.



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Understanding the business imperatives that require a New People Partnership is all about developing the business case for change. It is about understanding how employee well-being and employee satisfaction affect organization performance (the first principle of the New People Partnership). To underscore the point, it is worth repeating that an organization needs to make a real and quantifiable business case for change. This forms the basis for everything that follows. In the absence of a well-understood case for change, the organization runs the risk that this is a "flavor of the month" initiative, one that will fade away before having any measurable impact.

Once the imperatives for change are understood, it is time to deploy a well-honed strategy for satisfying the organization's long-term people needs. What is required is a structured, analytical approach to identifying anticipated gaps and imbalances in people resources, staffing levels, skills and anticipated movements. Specific human resource action plans are needed as well as a corporate-wide agenda.

Business requirements in turn shape the desired type of organization and people. Once grounded in the business realities, the principles guiding a New People Partnership can be articulated in a way that meets the needs of the company, the employees and the outside community.

It probably goes without saying that in order to make the New People Partnership a reality, companies need new people processes. The disconnect between the stated value of people to the organization and the actions that result is most often a reflection of people systems and processes that are out of date and way out of sync with the needs of the business. The gaps can be significant. For example:

- Recruiting and staffing -- an imbalance in internal movement, inadequate in some areas and excessive in others; the wrong skill mix in terms of future needs; long hiring cycle times and high costs per hire; burdensome succession planning.
- Employee development -- process out of sync with current career paths; development planning a paper exercise with no accountability for implementation.
- Performance management -- too many objectives to keep employees focused on top priorities; objectives not linked to desired changes in behavior and skills; marginal performers continue to thrive.
- Rewards -- tied to promotions that are increasingly unavailable; compensation not aligned with new organizations (e.g., team based); compensation structure does not provide for true sharing of risks or returns.
- Separation -- best people leave; other employees not prepared for transitions; cost of packages spiraling upward.

Addressing these gaps and making the New People Partnership really work means delving into the details of all these processes. If the day-to-day handling of people-related issues does not fully reflect and reinforce the partnership, success will be difficult. At the highest level, an organization must focus on five imperatives to drive the partnership:

- Create recruiting and staffing processes that place exceptional diversified talent at all levels and career stages, while allowing employees to pursue opportunities without restriction.
- Place accountability for career development with the individual, while renewing commitment and resources devoted to training and development.
- Establish continued development as a condition of employment and enforce a disciplined management process to steadily enhance performance.
- Redesign rewards to link them closely to performance.
- Establish separation as a natural career stage and separate those who consistently underperform.



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While these are not the only processes likely to require some degree of redesign to support the New People Partnership, they are usually the most critical areas to be addressed. At the same time, it is worth emphasizing the role that information technology plays in enabling many of the desired changes. Investments in information technology may be required to develop and deploy tools to support employees in identifying and pursuing job opportunities, fashioning career plans and obtaining appropriate training.

The last critical step in employing the partnership is establishing quantifiable measures for tracking its implementation so that everything is tied back to the business case. Many companies implement new people processes and programs without any good way to measure the impact they are having on the organization and the return on investment.

We find that you get what you measure. To really make the New People Partnership work, it is critical to determine methods for tracking key components of the model. Based on the business case, these could include measures for unwanted attrition, shortages in key skill areas and customer satisfaction. Focus groups and employee feedback surveys can also be very helpful.

REALIZING THE BENEFITS

Early adopters of the New People Partnership have been unanimous in applauding its strategic, operational and financial benefits.

The strategic benefits include greater employee loyalty and commitment to business goals, a way to drive cultural and behavioral change, a stronger corporate image for key stakeholders, better access to labor markets and improved customer relationships.

The operating benefits include a reduction in unwanted attrition through the retention of key talent and the lowering of absenteeism.

And, not surprisingly, the financial benefits include higher revenues and profits, lower labor costs and more efficient use of resources to enhance overall productivity. Companies like Intel, 3Com and Southwest Airlines all fundamentally believe that their integrated people strategies have been critical drivers of their success.

As organizations begin to move toward the vision of the new business model, redefining the relationship between employer and employee will increasingly be the linchpin for succeeding in the marketplace. Indeed, success for the new business model will be driven by those in the marketplace, not by those at the top. That means having a skilled, knowledgeable and motivated work force at all levels. Without defining a New People Partnership, we don't believe it will be possible to get there.

There is no denying that it is hard to change and to adopt new philosophies that are truly meaningful. But we believe that the partnership is essential to the new business model and to a company's success in the 21st century. There is no choice for most corporations but to implement some form of it.



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