Preface by
Paul O'Neill

September 2001

A Work Experience Second to None: Impelling the Best to Serve

Part I: Winning the War for Talent
Part II: Best Practices

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A Work Experience Second to None: Impelling the Best to Serve

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PREFACE

RECRUITING AND RETAINING A HIGH-PERFORMANCE FEDERAL WORKFORCE

The federal government is facing a recruiting and retention crisis. We must act now to address this problem if we hope to have a workforce capable of addressing America's future challenges.

By now, the statistics of the problem are well known. Fifty percent of the current federal workforce will be eligible to retire in the next five years. Compounding the problem is the intense demand for talent from the private sector that is driving up salaries and fueling a growing pay gap between public and private careers. Achieving competitive pay is something we need to address through human resources reform, and more broadly through performance-based pay systems. But the problem goes deeper than money.

To attract the best and the brightest, we must offer more than competitive salary and benefits. We must offer a "work experience" that is second to none, that draws people to serve. We must create a work environment that recognizes and respects that our workforce has priorities that stretch beyond the office. Accordingly, we must promote a work environment that is flexible, where we treat people like adults and hold them responsible for getting the job done, but not through rigid, regimented, arbitrary work policies. This entails rethinking how we manage our agencies and who we have managing them. To attract a new generation of talent, we need a twenty-first century mindset, supported by policies and programs that cultivate leadership, create expectations for performance, and reward that performance with ever-expanding career opportunity.

The paramount goal of our efforts should be to create a work culture of performance, challenge, meaning, and dignity. Employees should be able to ask themselves the following three questions: Am I treated with dignity and respect at work? Do I have the tools I need to do my job? And did anybody notice?

When the halls of our national government ring with a chorus "Yes!" we will know that we have arrived at a work experience second to none that impels the best to serve.

Paul H. O'Neill
Secretary of the Treasury

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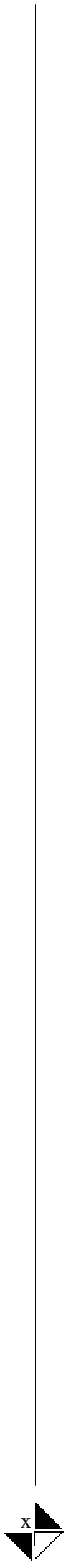
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EXECUTIVE SUMMARY

THE NATURE OF THE RETENTION CHALLENGE

The "war for talent" is a war that the federal government can win—and win big—if agencies seize the initiative now to address the retention challenge. Since turnover rates in federal agencies are low, at least for now, skill imbalances and an aging workforce attract the most attention. However, within the next five years, a surge of retirements, demographic trends that mean fewer younger workers to replace retiring baby boomers, will continue with the increasing scarcity of critical skills, to push retention to center stage. By aggressively implementing retention programs now, federal agencies will be well positioned to compete for, develop, and retain the talent they need in the years ahead.

A new way of leading and managing is required.

There is a new deal in the workplace. Organizations now compete and add value through intellectual capital, in other words, the knowledge and "know how" of their employees. This has changed the nature of the employment relationship. A new way of leading and managing is required in order to attract and retain good people. Since employees are vital assets, improving the connection between individual managers and their employees is critical to making the new deal work.

Much of the hype about the war for talent is based on two claims: (1) employees are no longer committed or loyal to their employer and (2) the reason people leave jobs is higher pay. The reality is more complex. Pay is rarely the only reason—or even the most important reason—why employees leave. Extensive research shows that most of the factors that cause people to stay or leave an organization are under the control of their immediate supervisor. People want training, career development opportunities, open communication, and flexible work arrangements. They want to be involved in decisions and in setting goals. The lesson for federal agencies is that pay must be within a competitive range vis-à-vis the private sector, particularly for scarce and critical skill areas. Once some type of comparability is achieved, non-monetary issues become more important.

Supervisors control most of the factors that cause people to leave or stay.

Employees are no less loyal than before. Only the nature of employee loyalty has changed. Many employees, particularly among the younger age groups, now view the employment relationship as lasting only as long as the employer provides them with developmental opportunities, chances to have a say in decision making, and rewards for good performance. Loyalty is expressed through high performance, not by the number of years spent with the same employer.

A PLAN OF ACTION

Make sure employees have clear roles, resources to do the work, and freedom to work to their full potential.

Rather than trying to win "the war for talent" by competing only for a very small pool of top talent, federal agencies should adopt a strategy that turns the terms of engagement to their advantage. The first pillar of this strategy is to create what Secretary of the Treasury Paul O'Neill refers to in the preface of this report as a "work experience" that is second to none. This can be accomplished by making sure that employees have clearly defined roles, resources to do the job, and freedom to work to their full potential. Creating an attractive work environment not only will improve retention, it also will help to attract high-quality talent and increase the productivity of the bulk of employees, who are already committed to a federal career.

Capitalize on the competitive advantages of government.

The second pillar of an effective retention strategy is to capitalize on the government's competitive advantages in the labor market. Federal agencies have inherent advantages in offering work that is meaningful, interesting, and uniquely challenging. When combined with great benefits, ample training, development opportunities, and the ability to achieve a good work-life balance, a job in a federal agency quickly becomes very attractive when compared with private sector alternatives.

Kepner-Tregoe, a leading human resources consulting firm, recently studied 11 companies that are leaders in retention strength. The study identified the following seven key drivers of success that should guide federal retention programs:

Seven key drivers at success.

- View people management as a strategic business issue. This is the key untapped source of competitive advantage in most organizations today.
- Don't manage retention. Manage people. Focus on how to manage the work environment to better leverage human assets.
- Create a culture of caring balanced with a tradition of excellence. Top performers and top organizations alike thrive in an environment that demands high standards of performance, while also empowering employees.
- First take stock. Then take action. Collect extensive data on turnover and employee satisfaction and use this as the basis for action.
- Keep an eye on top performers. Tie rewards to performance.
- Provide a stair-stepping process for conflict resolution. The goal is to create alternative channels for resolving employee-supervisor problems.
- Pursue continuous improvement relentlessly. Constantly measure, analyze, evaluate, and fine tune the way work gets done.

Using these seven drivers of success and the two pillars of retention strategy, the project team went to find companies and federal agencies that were applying the basics of retention. The team found successful approaches that fell into four areas:

Organization Environment : Includes culture, values, company reputation, executive quality, employee development, risk taking, leading technologies, and trust.

Work Environment : Includes effective supervisors, quality co-workers, challenging work, continuous learning, involvement in decision-making, clear responsibilities, and recognition.

Work-Life Balance : Includes flexible hours, telecommuting, dependent care, alternate work schedules, vacation, and wellness.

Compensation and Benefits : Includes base salary, benefits, stock, and bonuses that are a percentage of salary.

The successful organizations have strong values that guide retention strategies.

The team used successful practices from three of the four areas in Part II. It did not include compensation and benefits practices. Federal pay and benefits are set generally across all agencies. The Academy's IT compensation study looks thoroughly at that system and is making recommendations for changes.

The present report covers successful practices that highlight powerful organization cultures in companies, such as Southwest Airlines and the SAS Institute. The companies have strong values that guide the retention strategies that are used. In the federal sector, the Social Security Administration, the Department of Health and Human Services, and the Veterans Health Administration of the Department of Veterans Affairs have developed organizational strategies to build and retain the workforce of the future. Because of regular changes in political leadership, most federal agencies have difficulty building consistent long-term retention and branding strategies. Consequently, their strategies require more complex design.

The successful practices profiled in the report demonstrate that retention requires a holistic, integrated approach with carefully crafted strategies, using multiple methods or activities. Each organization must take into consideration the factors that make it unique, such as its culture, what its employees value, its programs and its sector. Note particularly the "Keys to Success" at the end of each successful practice.

RECOMMENDATIONS FOR GOVERNMENT AGENCIES

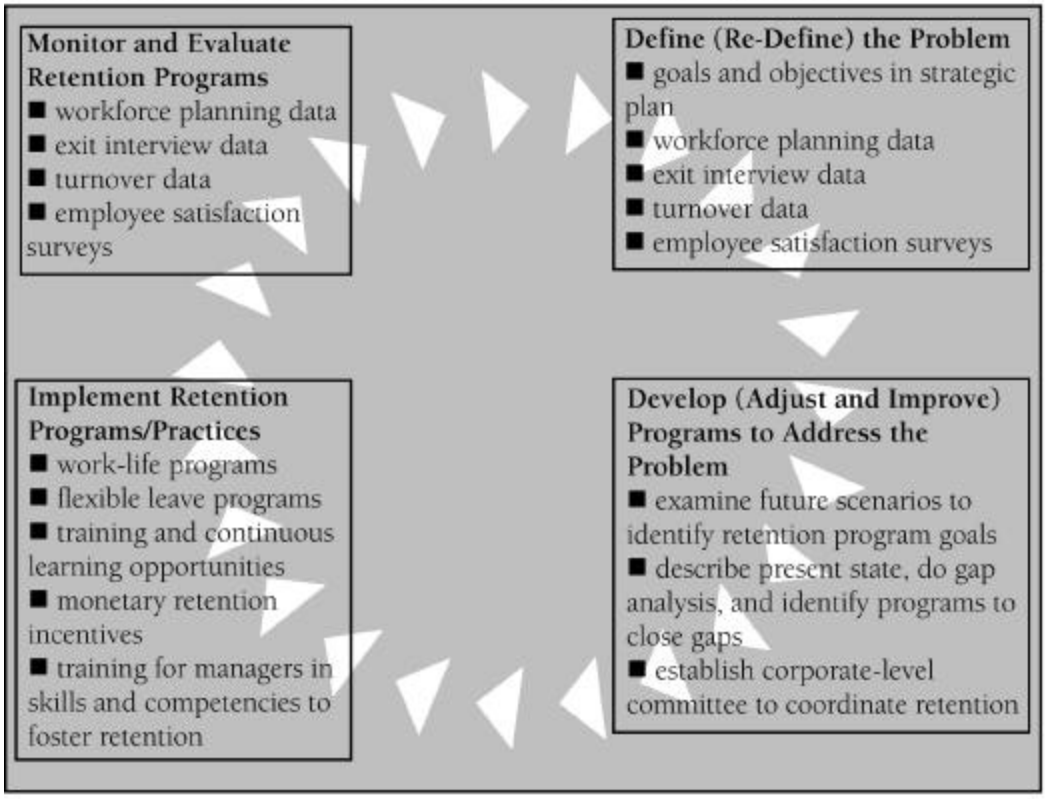
Recommendation One: Agencies should focus retention efforts on creating a work - place environment that attracts, develops and keeps good people, and elicits extra - ordinary performance from ordinary people. The acquisition of top talent is vital to the design, implementation and management of effective government programs. But, over-emphasis on competition with the private sector for a very small pool of top candidates could be a miscalculation. Balanced agency retention and recruiting strategies that draw people to serve will focus on creating the most attractive work environment by defining clear roles and high expectations for people, giving

them the resources they need to do the job, giving them the freedom to work to their potential and providing effective and supportive supervision for them.

Focus efforts on creating a work environment that attracts, develops, and keeps good people and elicits extraordinary performance from ordinary people.

FIGURE 1: HOW A GOOD RETENTION PROGRAM OPERATES

The graphic illustrates how a good retention program operates. There are four components: problem identification, program development, implementation, and monitoring and evaluation. These four components are connected in a cyclical fashion, such that the retention program is alive and continually being updated and improved. This graphic also highlights two key characteristics of an effective retention program: it is data driven, and is tied to strategic planning and workforce planning.



Use the three-phase process in Chapter 5 to get a quick start on creating a retention program that works.

Recommendation Two: Agencies should take action now to assess the effectiveness of their current retention programs and to revise them or to replace them with programs that work. The aging workforce, skills imbalances, the pending increase in federal retirements and the growing need to develop a more compelling work experience and work environment cry for attention now. Individual agencies with their unique programs and issues need tailored assessments and approaches. The three-phased process and the associated action steps described in Chapter 5 of this report outline a useful roadmap for getting a quick start.

Recommendation Three: Agencies must make special efforts to assure that executives, supervisors and managers understand their responsibilities and their accountability for retention programs, and are enabled to do something about them. The research in this study indicates that the failure of the supervisor-employee relationship is the most oft-cited reason why people leave an organization. That research and the successful practices of private and public organizations demonstrate the criticality of that relationship, particularly for those retention

practices that affect work assignments and the work environment. This suggests that a new way of leading and managing civil servants is in order to attract and retain good people.

RECOMMENDATIONS FOR THE OFFICES OF MANAGEMENT AND BUDGET AND THE OFFICE OF PERSONNEL MANAGEMENT

Make special efforts to involve supervisors.

Recommendation Four: OPM should revise current regulations to permit reemployment of a retired federal employee in a federal position without a reduction in the salary associated with the position to which he or she is reemployed. The current restrictions make it nearly impossible for a former federal employee to accept a return to federal employment in an agency with a clear need for the retiree's skills. The penalty the retiree must pay to return is excessive and insulting. Changing this restriction will be particularly useful to agencies that need more flexibility to cope with the retirement exodus between 2003 and 2008.

Restore limited FTE exception.

Recommendation Five: OMB should work with OPM to restore limited exceptions to the fulltime equivalent (FTE) method for controlling federal civil service employment. The requirement that managers must use FTEs to hire and develop "seed corn" for college level trainees who will fill expert and leader professional and administrative positions of the future is a clear disincentive and deterrent to such programs as the Cooperative Education Program (Coop), the Federal Career Intern and Presidential Management Intern (PMI) programs. All these college entry programs focus directly on filling the vacancies created by the expected retirement wave with quality replacements. In spite of announcements that "there are plenty of FTEs available," managers who want to hire trainees see this as a major deterrent.

Change the restrictions on re-employment of retirees.

PART I

Winning the War for Talent—Cutting Through the Retention Hype to the Real Deal

CHAPTER 1

INTRODUCTION

The government-wide turnover rate has hovered around 6 percent for the past three years. This is below average for large companies in the private sector but is typical for "mature" companies (Kepner-Tregoe, 1999). Several important factors have contributed to keeping the rate low, at least for the short term. The downsizing and budget cuts of the last decade have forced many agencies to rely more and more on contracting work out. This has helped to forestall a potential retention problem in critical skills areas, particularly in the information technology, scientific, and engineering occupational series. Downsizing, widespread hiring freezes, and the near shutdown of college relations, college recruitment, and cooperative education and intern programs in the 1990s, all contributed to greatly reducing the portion of the workforce made up of younger workers. This has led to the aging federal workforce we have today and probably helped to reduce overall turnover, since younger workers tend to change jobs more frequently than do older workers.

Downsizing policies have contributed to greatly reducing the intake of younger workers.

The shortage of younger workers has also contributed to another major problem—the imbalance of skills in the federal workforce. Downsizing exacerbated the skills imbalance. Rather than targeting obsolete programs or positions, downsizing was conducted across the board. The result was that many people with critical skills were let go and agencies were not prepared to replace the skills they took with them. Thus, the opportunity to use downsizing as a tool to manage the workforce was missed.

Retention will soon become a larger, more complex problem.

The meaning of retention is changing as a consequence of changing workforce values and expectations. A growing number of employees no longer want to spend a career with the same employer, or even in the same occupation. Frequent job changes are viewed as a way to continually develop new skills and remain marketable in a highly competitive labor market. A realistic goal for agencies today might be to keep quality new hires, especially younger workers, for three to five years.

While the most pressing problems at present are an aging workforce and an imbalance of skills, retention will soon become a larger, more complex problem due to

demographic trends and the coming wave of retirements. As research by the Corporate Leadership Council shows, just because overall turnover is low doesn't mean there is no retention problem.

. . .just because overall turnover is low doesn't mean there is no retention problem.

Agencies need to analyze their turnover data carefully to uncover problems with specific subgroups of employees that may have a disproportionate impact on achieving organizational goals. Looking at turnover data should be part of a larger effort to better understand the workforce. Agencies should conduct regular employee feedback surveys, do inventories of skills and competencies, and should develop strategies for dealing with workforce issues as part of workforce planning.

PURPOSE AND ORGANIZATION

Part I of the report examines the nature of the retention challenge and proposes a retention strategy for federal agencies. In addition, the appendices provide tools and resources that agencies can use for employee retention programs. Throughout Part I, emphasis is placed on those practices that can be implemented in the federal government without new legislation.

Part I is organized around six key questions that a reader might ask:

- Why all the fuss about retention (what's behind the hype)?
- Why do employees join/stay/leave an organization?
- What does the future hold for retention?
- What are some strategies for meeting the challenge?
- What really works?
- How do we set up a retention program?

For those who wish to study the subject of retention in greater depth, an annotated bibliography is provided in Appendix A. This bibliography includes books, articles, and web sites. A Retention Tool Kit appears in Appendix B. This includes a list of practical desktop reference material, and samples and templates that can be used immediately, with little or no modification.

There's a retention tool kit in Appendix B.

SCOPE AND METHODOLOGY

During the past several years there has been a great deal of publicity in the media about the war for talent, the new employment contract, the predilections of Generations X and Y, and the phenomenon of the "dotcom-er." A good portion of this press can be fairly characterized as "hype" because it is based on opinions, superficial analysis, anecdotes, and little or no data. In preparing this part of the report, the project team attempted to cut through the hype that surrounds this issue by relying on empirical studies, academic research publications, and articles in reputable media sources.

The project team has also attempted to present the full range of ideas about how to approach the problem of retention, including brief discussions of some of the

most popular recently published books about retention. The academic and practitioner literature deals almost exclusively with private companies; consequently, this part of the report is limited almost entirely to the private sector. More needs to be written about federal, state, and local government retention issues. However, the lack of materials does not present an insurmountable problem. The issues facing the private sector are very similar to those facing government. After all, federal agencies must compete to attract and keep people from the same labor pool. The major differences between the private and public sectors lie in the type of employment contract that can be implemented and the degree of flexibility available for specific retention tools and programs. Numerous changes in federal policies and regulations in recent years have narrowed these differences significantly.

Federal agencies must compete to attract and keep people from the same labor pool.

And, the absence of government examples from the literature doesn't mean that no federal agencies are creating "a work experience second to none." In Part II, the reader will learn about a variety of agencies and the efforts they are making to that end.

CHAPTER 2

Why All the Fuss About Retention (What's Behind the Hype)?

High turnover rates have been an area of increasing concern for corporations. Among the many studies to document this problem is the American Management Association's (AMA) Human Resources Conference 1999 report on employee retention. According to the report, data from 352 companies showed that almost half (46 percent) said retention was a very significant issue and 28 percent said it was a significant issue. Nine out of 10 respondents surveyed for the study expected the level of concern about retention to remain the same or to increase in the coming year.

High turnover in the under 30 age group.

The AMA study also looked at categories of employees that have high turnover and the use of special retention programs to address turnover in those groups. The results appear in Table 1.

TABLE 1: HIGH TURNOVER GROUPS AND USE OF RETENTION PROGRAMS

	Percent* reporting that:		
High Turnover Group	turnover is especially high in this group	special retention efforts are in place for this group	special retention efforts for this group being considered
Employees younger than 30	51	8	14
Information technology specialists	37	24	16
Recent hires	33	16	16
Racial and ethnic minorities	13	19	15
Women in management/supervisory posts	10	19	14

Source: American Management Association, 1999

*Percentages in table do not add to 100 because these are selected groups of employees. The groupings are not mutually exclusive.

CAUSES OF THE RETENTION PROBLEM

The increasing competition among organizations to attract and retain the best employees was dubbed the "war for talent" by McKinsey and Company in its 1998 report with the same title. This report and other studies (Vickers, 2000; Hackett, 1996) have identified the following four principal causes of the war for talent:

- changes in the employment contract and its impact on employee commitment
- rise of the knowledge worker
- labor force dynamics
- growing scarcity of critical skills

Hiring and keeping older workers and minorities will become even more important.

LABOR FORCE DYNAMICS

Demographic trends are partial drivers of labor force dynamics and skills gaps. Labor force demand is another driver. Since labor force demand is a function of the level of future economic growth, it is difficult to predict. It is estimated that a modest two percent economic growth rate between 1996 and 2006, coupled with fewer younger workers ages 24 to 45, will produce a 30 percent shortfall in the number of available workers in that age group during that period (Hube, 1999).

Hiring and keeping older workers and minorities will become even more important as a way to make up this shortfall. In FY 1999, minorities made up 30 percent of the federal workforce and women accounted for 45 percent of the workforce (OPM, 2000). Forty-one percent of all labor force entrants between 1998 and 2008 will be minorities, according to the Bureau of Labor Statistics (BLS). Effective diversity management practices, as well as the ability to attract and retain older workers, will become a potential source of competitive advantage for employers.

SKILLS IMBALANCES

Changing demographic trends and economic growth are also creating skills imbalances in the work force. The impact of information technology (IT) is a key factor here. As the use of IT continues to proliferate throughout the economy, both private and public sector organizations must constantly ensure that their workforces have the requisite skills. Apart from creating new types of jobs, IT is dramatically changing the way much work is performed. The IT economy requires workers that are faster, more flexible and more innovative. The new workplace puts a premium on analytical skills, problem solving and continuous learning.

Knowledge workers are more valued than ever before.

RISE OF KNOWLEDGE WORK

Another factor fueling the war for talent is the growth of knowledge as the source of sustainable competitive advantage in the market place. The increasing complexity of work, as discussed above, means that so-called knowledge workers are more valued than ever before. These are the employees who add value through what they know and their ability to keep learning in order to cope with rapid change. The ability to attract and retain this group of employees is of critical importance.

CHANGING EMPLOYMENT RELATIONSHIP

Employee retention has also been affected by growing changes in the employment relationship that move away from employment as a career, particularly federal employment as a career, to occupation-based employment with a focus on shorter term employment, the nature and stimulation of the work, freedom of action and rewards for quality performance. It is critical for line managers and human resources staffs to understand these dynamics that have such an important impact on recruitment, retention and utilization. The level of commitment to the employer is associated with job performance, absenteeism, and willingness to "go the extra mile." (Meyer and Allen, 1997). Commitment helps ensure trust, a key ingredient in moving to empowerment, flattening the hierarchy, and using new work arrangements such as telecommuting and virtual teaming.

Nine characteristics of the new employment relationship.

An empirical study by Roehling (Roehling et. al. 2000) tried to clarify the nature of the new employment relationship by analyzing the content of practitioner and academic literature on the topic. The following nine characteristics were mentioned in 60 percent of the articles analyzed:

Employer to provide:

- training, education, and skill development opportunities
- employee involvement in decision making/empowerment
- open, honest, two-way communication
- assistance with career management (e.g., mentoring, coaching)
- performance-based compensation

Employee to:

- assume responsibility for developing and maintaining skills
- produce positive results/add demonstrable value

Other characteristics of the new employment relationship:

- flexibility
- commitment

The nature of loyalty has changed.

The popular press is full of articles bemoaning the end of employee loyalty and commitment. This study and others instead suggest that the nature of loyalty has changed. The common theme emerging from the Roehler study is that the new types of loyalty and commitment are conditional, in contrast to traditional unconditional loyalty from employees to employers and vice versa. Many if not most employees now view the relationship as lasting only as long as the employer provides them with developmental opportunities, chances to have a say in decision making, and rewards for good performance. For their part, employers are likely to view their commitment as follows: "we are committed to you during your time here; we expect you to be committed to us (Roehling et.al., 2000)."

Research by Spherion and Louis Harris & Associates (Spherion, 2001) found a new "emergent workforce" that cuts across age, gender, and geographical location.

These individuals are just as loyal as traditional workers but they define loyalty differently. For them, an employee expresses loyalty by high performance, not by the number of years spent with the same company.

Another important fact about the new employment relationship is that it varies by industry and type of organization. The relevance of the new relationship also varies depending upon an employee's occupation, age, years of service, and position in the hierarchy. Examples of this are given in the following section, which provides data on what attracts and keeps employees in an organization.

WHY DO PEOPLE JOIN/STAY/LEAVE AN ORGANIZATION?

Reasons for staying or leaving.

A number of empirical studies done in the past several years explode the myth that money is the biggest weapon in the war for talent. A comparison of four private sector studies appears in Table 2 below. In its 1999 survey of managers and employees, Kepner-Tregoe (Kepner-Tregoe, 1999) found that more than two-thirds of the respondents reported that their organizations had tried to solve turnover problems by paying higher salaries, but had failed. Pay ranks fourth in the list of reasons that people stay in their jobs, according to a survey of more than 6,000 employees by Beverly Kaye and Associates (Beverly Kaye and Associates, 2000). Pay ranked either first or second in three other studies.

TABLE 2: RESULTS OF FOUR STUDIES ON REASONS FOR STAYING OR LEAVING AN ORGANIZATION

Kaye & Associates: Reasons for wanting to stay (employees) (% mentioning)	Center for Organ. Research: Relative importance to top performers (employees)	Kepner-Tregoe: Top reasons employees leave (employees)	2000 SHRM survey: Reasons that employees leave (HR professionals) (% mentioning)
1. Exciting work and challenge (53) 2. Career growth, learning and development (48) 3. Great people and relationships (48) 4. Fair pay and benefits (47) 5. Supportive management/great boss (20) 6. Pride in organ., mission, product (19)	1. Work/role fits needs and expectations 2. Salary/benefits 3. Career development and growth 4. Culture (fit with own beliefs) 5. Work/life balance	1. Insufficient financial rewards 2. Inadequate recognition 3. Insufficient career development opportunities	1. Career opportunities elsewhere (78) 2. Better pay/ benefits (65) 3. Poor management (21) 4. Relocation of spouse/partner (18)

In reviewing the data in the above table, two factors consistently rank at or near the top of the lists—the nature of the work itself (exciting, fits needs and expectations) and opportunities for learning and career growth. It is worth noting that these are things that managers can control and influence heavily. Research by the Gallup organization, as reported in the bestseller *First, Break All the Rules* (Buckingham and Coffman, 1999), found that the following five questions that correlate most closely with employee retention:

- Do I know what is expected of me at work?
- Do I have the materials and equipment I need to do my work right?
- Do I have the opportunity to do what I do best every day?
- Does my supervisor, or someone at work, seem to care about me as a person?
- At work, do my opinions seem to count?

Questions correlating with retention.

Chapter Four provides a discussion of how responses to these questions can be incorporated into an overall retention strategy.

WHAT DOES THE FUTURE HOLD FOR RETENTION?

As discussed above, employers must understand demographic trends so that they can fashion their retention program to be effective for segments of the labor force that are growing. During the next decade, minorities will account for a larger percentage of the workforce, there will be fewer younger people joining the labor force, and older workers will be working longer. Organizations that fail to prepare for these dramatic changes do so at their peril. Employers that succeed in creating a workplace where this diverse workforce is welcome will have a significant advantage in attracting and retaining the talent they need.

A Diversity Retention Program

An article in *HR Focus Newsletter*, titled "Diversity: A New Tool for Retention" (HR Focus, 2000) argues that diversity management is becoming more than just affirmative action. Effectively managing diversity is fast becoming a key hiring and retention tool. Companies are finding that in order to compete they must welcome and foster the growth of a wide variety of employees. According to the article, diversity retention programs need not look very different than a retention program that is aimed at creating a positive work environment in which employees are valued. Diversity should be an explicit part of the retention strategy and should be supported by talk and by action. This includes, for example, helping employees and managers develop good interpersonal skills, effective orientation programs for new hires, and succession planning programs that ensure diversity representation.

Effectively managing diversity is a key hiring and retention tool.

For a diversity retention program to be effective it must encompass the needs of an increasingly older workforce. From now through 2004, the number of male workers age 55 to 64 will grow by 43 percent and the pool of female workers in the same age group will increase by nearly two-thirds (Albrecht, 2001). A recent study by AARP found that 80 percent of baby boomers plan to work at least part-time after their normal retirement age. Many will be looking for stimulating work in

their areas of expertise, where they can continue to learn and earn additional income. Others will simply stay in their current jobs well past the typical retirement age.

Redefining Careers and Retirement

The rise of a senior workforce may help to redefine the meaning of a career (Reingold, 1999). Careers may include a transitional period starting at around age 50, lasting 5 to 20 years, in which employees gradually scale back from full-time work to full-time retirement. A number of leading companies are tailoring jobs for senior staff in recognition of this trend, offering part-time and flexible work arrangements. A study done several years ago showed that one-third of companies considered to be HR innovators had phased retirement programs (Mirvis, 1997). Dennis R. Coleman, a principal at PriceWaterhouseCoopers says, "if companies continue to require that working for them is an all-or-nothing proposition they will find people reaching 55 and going to work for competitors who are offering flexible employment opportunities" (Reingold,1999).

Keeping senior employees longer yields dual benefits.

According to a study by Development Dimensions International, the number of management jobs will increase by 21 percent between 1998 and 2010. During the same period, the number of people between 35 and 50 will fall by 5 percent (Reingold, 1999). Leading companies in knowledge-intensive industries such as consulting and accounting offer elaborate programs to keep senior staff and top managers working longer. Senior people who have already climbed the corporate ladder often prefer to shift from a consulting to mentoring role. Keeping senior employees longer thus yields a dual benefit—they supply critical skills needed now and they serve as mentors and teachers to help develop the next generation of leaders.

Need for Legislation and Policy Changes

Two important issues need attention for federal agencies to take advantage of these two aspects of a rising senior workforce: (1) a legislative or regulatory change to permit federal retirees to be re-employed in a federal position without a pay reduction, and (2) some modification of the full-time equivalency (FTE) policies of the Office of Management and Budget. Current FTE policies make reemployment of retired federal employees unattractive to agencies. Taking a job at reduced pay makes re-employment unattractive to retired federal employees.

Two changes will improve retention strategies.

CHAPTER 3

What Are Some Strategies for Meeting the Challenge?

A best practice among companies that are retention leaders is to anchor retention practices and programs in an explicit strategy that specifies how the organization will attract and retain the employees it needs. Such a strategy is based on the organization's goals, the environment in which the organization operates or competes, sources of competitive advantage, and assumptions about how best to staff the work that needs to get done.

. . . anchor retention programs in an explicit strategy.

The heart of a retention strategy is the employment contract—a statement of what the employee can expect from the organization and what the organization expects from the employee. This may be referred to as the "new deal" or the "employment value proposition." The McKinsey report on the war for talent found that an outstanding value proposition was one of the principal ingredients in the success of the top 20 companies they studied (McKinsey & Co., 1998).

An effective retention strategy recognizes that one size does not fit all. Different groups of employees (as categorized by occupation/age/tenure/gender/family circumstances/race and ethnicity) will have different needs. The employment contract for core permanent employees obviously will be different from the contract for temporary employees.

. . . hire right . . .create an environment where ordinary people can be stars . . . make everything negotiable.

The project team that conducted the research for this report identified three different strategies for dealing with the retention problem. The main differences among these strategies concern whether organizations accept the premise that there is a war for talent and whether they decide it is a war that should be fought. The strategies are as follows:

1. avoid the retention problem by hiring right and making good job assignments
2. don't fight the war—create an environment where ordinary people can be stars
3. win the war by making everything negotiable

The project panel proposes a fourth strategy for the federal government. It draws on the best elements of the other strategies, each of which is briefly described below.

STRATEGY #1: AVOID THE RETENTION PROBLEM BY GOOD HIRING AND GOOD JOB FIT

. . . companies all wind up chasing the same 10 percent . . .

This strategy is articulated in *First, Break All the Rules* (Buckingham and Coffman, 1999). The premise is that there is no need to fight the war for talent if 1) the right people are hired and 2) work is assigned to get the best fit between employees, skills and interests, and the requirements of the job. Good job fit is the best retention tool. Once you have picked good people and defined the outcomes of the job, the next thing managers need to do is focus on each person's strengths. Put people in jobs that build on their strengths and allow them to work around their weaknesses. This means, "letting people become more of who they already are."

STRATEGY #2: DON'T FIGHT THE WAR—CREATE AN ENVIRONMENT WHERE PEOPLE CAN BE STARS

Charles O'Reilly and Jeffery Pfeffer, both professors in the Stanford School of Business, suggest that it is a losing proposition for organizations to try to fight the war for talent. The problem is that companies all wind up chasing the same 10 percent of the workforce. The top 10 percent will never be more than 10 percent! Consequently, companies can choose to either join the chase or do something that's more difficult for the competition to copy—build an organization that creates an environment where regular people can perform as if they were in the top 10 percent. The title of O'Reilly and Pfeffer's book says it well: *Hidden Value—How Great Companies Achieve Extraordinary Results with Ordinary People*.

The best . . . start with values

According to O'Reilly and Pfeffer, the conventional emphasis on individual talent misses the point that real performance depends on so much more. The environment in which people work and how they work together are critical elements in the performance equation. Hiring "stars" is a fad that will pass once companies realize that what matters most is what they do with talent, not just how they acquire it.

O'Reilly and Pfeffer provide detailed case studies of seven companies that have figured out how to get the best out of their employees every day. As a byproduct, these companies are better at attracting and retaining great people because they want to work for companies where "they can actually use their talents, where they are treated with dignity, trust, and respect, and where they are engaged by the values and culture of the organization." The common thread among these companies is that they turn the strategic planning process on its head. Instead of developing a strategic plan and then aligning people to it, they start out with values. Then they ensure that strategy is consistent with the company's values. Thus, the company's purpose is aligned with the spirit of the employees, fostering real commitment.

Kepner-Tregoe recently studied in depth the practices of 11 companies that it con-

siders to be "Retention Leaders" (Kepner-Tregoe, 1999). It found that money is not the solution to the retention challenge. Instead, the study concluded, "the most fundamental thing is to create an environment that will motivate people, that will make them excited and enthusiastic about the work they do."

What Are Some Strategies for Meeting the Challenge?

Kepner-Tregoe also found that many companies are overlooking the following basics:

- fair, uniform performance standards
- sufficient resources to do the job
- financial rewards for good performance
- an effective performance-management system

A final source of support for the idea of managing the work environment is provided by the extensive empirical research conducted by The Gallup Organization and presented in *First, Break all the Rules* (Buckingham and Coffman, 1999). According to the book, employees' engagement with their jobs can be promoted by good supervision. This research suggests that "people leave managers, not companies." Because so many companies have increased compensation in order to retain employees, it is no longer a major differentiator. What does matter is the workplace environment and the employee's relationship with his or her supervisor.

. . . people leave managers, not companies.

STRATEGY #3: WIN THE WAR BY MAKING EVERYTHING NEGOTIABLE

While some of the experts discussed above question whether companies should attempt to fight the war for talent, others embrace it wholeheartedly. Perhaps the best-known representative of this view is Bruce Tulgan, author of the widely acclaimed *Winning the Talent Wars*. The subtitle of the book is "how to manage and compete in the high-tech, high-speed, knowledge-based, superfluid economy." Tulgan's thesis is that the best way to win the talent war is to make every term of employment negotiable, including things such as schedules, location, assignments, coworkers, and pay. The employee with the most valuable talent will also have the most negotiating power. Employment relationships "will last exactly as long as the terms are agreeable to both parties."

The way to address this new reality, according to Tulgan, is to "look for strategies that address the rising tide of free agency, embrace the new free market for talent, and allow organizations to get really good at being fluid." Traditional programs to reduce turnover have limited success because they focus on using money to attract and keep people, which creates endless bidding wars. The way around this is for companies to discard the traditional employment contract and replace it with flexible terms of employment that can be customized to fit each employee's needs. The goal should be to staff the work, not the jobs, by utilizing a wide range of flexible employment tools. These include full- and part-time employees, "doubletimers," telcommuters, flex-timers, former employees, people working three jobs, independent contractors, or temps. A recent Academy study, *New Options, New Talent:*

A Government Guide to the Flexible Workforce, is a good reference on this subject.

The centerpiece of Tulgan's human resources management strategy is pay for performance. This requires an employment contract that includes the following elements of a well-negotiated purchasing contract:

- measurable individual performance benchmarks, with clear deliverables at every step
- clear expectations about what behaviors will be rewarded and how
- regular and close monitoring by managers of individual performance, including good records and good communication with employees

People care about
- *when they work*
- *where they work*
- *what their tasks are*
- *who they work with*
- *what they learn*

Tulgan recognizes many of the same non-financial retention drivers discussed above. People care about when they work, where they work, what their tasks and responsibilities are, who they work with, and what they are learning on the job. If you let people customize these aspects of the employment relationship, they will create their dream job. And who would leave a dream job?

STRATEGY #4: A NEW BLENDED STRATEGY FOR FEDERAL AGENCIES

Each of the three retention strategies presented above contains elements that can be blended together to form the basis of an effective retention strategy for federal agencies. But, first, it is important to note the role of pay in competing for talent. As pointed out earlier, pay is a threshold issue—if federal pay is within a competitive range with the private sector, other non-monetary considerations come into play. In other words, achieving this competitive level is a necessary condition for implementing any kind of retention program that plays to the strengths of federal service. The pay issue can be and is in many cases, neutralized or overcome by skillfully crafted recruitment and retention strategies. In the short term, agencies must move ahead aggressively to implement the retention strategy described below, while continuing to press for more competitive pay levels.

Most federal agencies, if not all, already make efforts to employ at least some of the practices that are at the core of the retention strategies outlined above—hiring for the right fit, creating a workplace that encourages high performance, and creating a flexible employment contract to better meet the needs of individual employees. Rather than trying to win "the war for talent" by competing for a finite pool of top talent, federal agencies should adopt a strategy that turns the terms of engagement to their advantage. This can be achieved by capitalizing on the inherent advantage of government service in offering work that is meaningful, interesting, and challenging. When combined with great benefits, ample training and development opportunities, and the ability to achieve a good work-life balance, a job in a federal agency quickly becomes very attractive when compared with most private-sector alternatives.

Agencies cannot compete successfully with private companies solely on the basis

of pay or customized terms of employment. Instead, they should focus on creating a workplace where people can realize their full potential. This is accomplished by defining clear roles for people, giving them the resources they need to do the job, and giving them the freedom to work to their potential. A retention strategy aimed at creating the most attractive work environment will not only improve retention, it will also help with recruiting the best talent and increasing the productivity of the current federal workforce.

What Are Some Strategies for Meeting the Challenge?

TABLE 3. EXAMPLES OF RETENTION PRACTICES THAT CAN BE UTILIZED IN A BLENDED FEDERAL RETENTION STRATEGY

Retention Practice or Policy	Good fit in hiring and assigning work	Creating work environment that motivates high performance	Flexible employment contract
Currently permitted and fairly widely used in federal government:			
Vacancy announcements	x		
Alternative work schedules and flextime		x	x
Training and development		x	x
Individual and team awards		x	
Temporary and term employment	x	x	x
Work-life programs		x	
Currently permitted but not widely used in federal government:			
Hiring for fit with culture	x		
Competencies to define jobs and career paths	x	x	
Categorical ranking	x		
Telecommuting		x	x
Job sharing and part-time work		x	x
Supervisor as coach and resource		x	
Alignment of values, culture and strategy		x	
Widespread sharing of information		x	
New regulations or legislation needed:			
Pay banding		x	x
Choosing teams and work assignments	x	x	x
Cafeteria benefits plan		x	x
Phased retirement option			x
Reemployment of retirees without reduction of position salary	x	x	x

. . . a workplace where people can realize their potential

Currently, it is not feasible to customize the terms of federal employment to the extent advocated by Tulgan in his book. Some of the practices simply are not permitted under current law. However, most of what Tulgan suggests can be done. For example, most federal agencies allow telecommuting, alternative work schedules, and flextime, all of which give managers the ability to tailor the work environment to the needs of individual employees. An innovative program at the U.S. Forest

What Are Some Strategies for Meeting the Challenge?

Service allows employees to create and fund their own jobs by doing reimbursable work for other units within the agency. This and other examples are provided in *Innovative Agency Employment Practices*, a focus paper published by the Academy in 2000. Another Academy report that contains information useful for retention is *Entry-Level Hiring and Development for the 21st Century: Professional and Administrative Positions*. Many, if not all, of the practices that are effective for recruiting also contribute to retention.

Table 3 lists retention policies and practices that are currently used by federal agencies, which could be used under current regulation or law but are not (at least in most agencies), and which would require new regulations or legislation. For each policy or practice listed, an "x" indicates the retention strategy to which it corresponds. Note that many of the items contribute both to creating a high-performance work environment and to a flexible employment contract. Note also the new regulations and legislative changes listed in Table 3.

Seven key drivers of successful strategies.

The Kepner-Tregoe study (Kepner-Tregoe, 1999) isolated seven key drivers of success among the 11 "Retention Leaders." These are useful guidelines for federal agencies that wish to develop a retention strategy. The seven drivers are as follows:

1. View people management as a strategic business issue. This is the key untapped source of competitive advantage in most organizations today.
2. Don't manage retention. Manage people. Focus on how to manage the work environment to better leverage human assets.
3. Create a culture of caring balanced with a tradition of excellence. Top performers and top organizations alike thrive in an environment that demands high standards of performance, while also empowering employees.
4. First take stock. Then take action. Collect extensive data on turnover and employee satisfaction and use this as the basis for action.
5. Keep an eye on top performers. Tie rewards to performance.
6. Provide a stair-stepping process for conflict resolution. The goal is to create alternative channels for resolving employee-supervisor problems.
7. Pursue continuous improvement relentlessly. Constantly measure, analyze, evaluate, and fine tune the way work gets done.

CHAPTER 4

What Really Works

The Society for Human Resources Management (SHRM) 2000 Retention Practices Survey provides data from 473 human resources professionals across the country (Society for Human Resource Management, 2000). It should be noted that only 5 percent of respondents were from government organizations and 89 percent were from companies that are much smaller than the typical federal agency. Respondents were asked to rate the effectiveness of 36 retention tools and initiatives. The top five in effectiveness were as follows:

- health care benefits
- competitive salaries
- competitive salary increases
- competitive vacation/holiday benefits
- regular salary reviews

Another survey by Watson-Wyatt of top-performing employees (Beal, 2000) provides useful data on the effectiveness of non-compensation reward plans for attracting and retaining employees. The survey results are shown in Table 4.

None of the retention tools and practices appearing above and in Table 4 are particularly new or innovative. Many are already utilized to some extent by most federal agencies. What makes a retention program effective is how it is supported and reinforced by the workplace environment and everyday business practices. The following descriptions of programs at SAS Institute and AES, organizations that are retention leaders, illustrate ways to make the workplace environment conducive to retention. SAS and AES rely heavily on highly trained knowledge workers, a characteristic shared by most federal agencies. The AES case is interesting because the company was founded by former federal employees who wanted to create an organization that was as different as possible from the agencies in which they had worked. Both examples are from the book by O'Reilly and Pfeffer on how to realize the potential of the workforce.

TABLE 4. EFFECTIVENESS OF NON-COMPENSATION REWARDS FOR ATTRACTING AND KEEPING HIGH-PERFORMING EMPLOYEES

Reward Plan	% of high-performing employees reporting as "very effective"	% of companies with the plan
Opportunities for advancement	79	76
Learning new skills in current job	65	68
Use of competencies for career path and career development	53	27
Career development (non-promotional)	57	45
Flexible work schedules	56	73
Work at home	36	43
Reduced work week	36	27
Sabbaticals	29	8

EMPLOYEE RETENTION AT SAS INSTITUTE

The SAS Institute, a software development company, consistently appears on lists of the best companies to work for, ranking number 2 in Fortune's list of top 100 this year, up from number 6 last year. The voluntary turnover rate at SAS was 4 percent last year and has never been above 5 percent in its 20-year history. This is remarkable in an industry with an especially high overall turnover rate.

SAS succeeds by adhering to old-fashioned values in a new industry. A recent article in *Fast Company* describes a company that is a bit of an anachronism:

. . . adhering to old fashioned values in a new industry . . .

"In an era of relentless pressure, this place is an oasis of calm. In an age of frantic competition, this place is methodical and clearheaded. In a world of free agency, signing bonuses, and stock options, this is a place where loyalty matters more than money."

The foundation of SAS Institute's business strategy is relationships—with customers, business partners, and employees. This, together with the ability to provide leading-edge software and services, is the secret to the company's success. Two of the four founders of SAS now run the company. Their goal has always been to create a company where the employees enjoyed the work as much as top management did. The key principles for achieving this goal include making the workplace fun, treating everyone fairly and equally, and treating people with dignity and

respect. SAS Institute relies heavily upon the power of reciprocity—people feel obligated to return favors that are done for them-and upon the notion of intrinsic motivation. People are treated like responsible adults who will do the right things. The company's management culture emphasizes coaching and mentoring rather than controlling and monitoring.

The difference between SAS and a lot of other companies that espouse the same ideals is that SAS actually implements them. Some examples include:

. . . no performance appraisals.

. . . at least three feedback discussions each year.

- Every employee has a private office with the latest computer equipment. By removing all possible distractions from people and giving them the tools to do the job, they can be more productive.
- A 35-hour workweek and benefits such as free daycare, a health unit, and an exercise facility encourage work-life balance.
- There are no performance appraisals; instead managers are required to have at least three lengthy feedback discussions with employees each year.
- There are few management layers; managers perform technical project work in addition to their management duties; and people may move in and out of management with no penalty or loss of pay.

More detail on SAS can be found in Successful Practice #2 on page 40.

EMPLOYEE RETENTION AT AES

Two former federal employees founded AES, originally called Applied Energy Services, in 1981. They wanted to create a company that would be the opposite of what they found in government: flexible rather than hierarchical and free of the burden of bureaucratic rules and procedures. AES provides consulting services to the energy industry and operates power plants in the United States and around the world. The company doesn't have a business strategy per se but does have the goal of becoming the leading global power company.

Roger Sant, one of the co-founders, believes that the company's main source of competitive advantage is its underlying assumptions about people. He says, "It's the first time in my experience where an organization has assumed that their people are good, that they really want to make a difference, that you don't need to control them, that you can depend on them." These beliefs are the basis for the company's four core values: fun, fairness, integrity, and social responsibility.

Assumptions

- *people are good*
- *they want to make a difference*
- *you can depend on them*

AES actually puts these values into practice. In fact, when AES issues stock to the public, the Securities and Exchange Commission requires that it list these values as a possible risk factor. The disclaimer cautions potential investors that AES may try to adhere to its shared values even though profits might suffer or opportunities might be missed. Maximizing profits is not the primary goal at AES. Instead, the CEO believes that businesses exist to "manage resources and nurture relationships to meet a need in society." In 1999, AES's return on equity was 178 percent of the industry average and its profit margin was 203 percent of the industry average.

Examples of AES's management practices are described below.

- Recruiting and selecting for aptitude and cultural fit—Screening interviews focus on candidates fit with company values on the assumption that technical skills can be learned on the job. A key quality is willingness to learn continuously.
- Delegation of decision-making authority—Authority and responsibility are radically decentralized, even to people without extensive experience. Project team members may make financial decisions, or a plant maintenance group may decide how to invest the plant's cash reserves. The formal structure is flat; plants usually have only three levels.

Learning and cross-training.

- Training and development—AES relies heavily on learning through job rotation and cross-training. People are given time to learn and honest mistakes are tolerated. Employees are also responsible for their own development and are encouraged to learn from each other. There is no corporate university and no company-sponsored or mandated training programs.
- Organizing in teams—Teams are the basic organizational unit at AES, especially in plants. Decisions that normally would be made by specialist groups, human resources for example, are assigned to task forces and committees. The task forces and committees are staffed largely by people who have volunteered because they are interested in the issues being addressed.
- Sharing information—Financial and operating performance data is shared with all employees at monthly meetings.

HUMAN RESOURCES LEVERS MAKE THE DIFFERENCE IN WHAT REALLY WORKS

The seven companies profiled in the O'Reilly and Pfeffer book share a number of common practices. The authors call these "HR levers." These HR levers are aligned so that they are mutually reinforcing. They include the following: alignment of values, culture, and strategy; hiring for fit; investing in people; widespread information sharing; team-based systems; and rewards and recognition. Many organizations, including a number of federal agencies, already do these things. So why aren't they getting the kind of results that these companies get? O'Reilly and Pfeffer (p. 243) provide this answer:

Alignment and consistency among HR levers makes the difference.

"The overall alignment and consistency among these levers is what makes the values come alive in these organizations. Partial alignment doesn't result in partial credit. The payoff function is not linear but exponential. Firms that invest in people but don't have systems that encourage long-term employment and career development are unlikely to reap the rewards from their investment. Long-term employment isn't likely to be productive unless people have the information necessary to be productive and the autonomy necessary to act on the information. Having an enlightened management without clear values, norms, and strategies only results in confusion. The point that most imitators simply do not get is that there must be alignment and consistency among all of these levers if the values are to be real and effective."

CHAPTER 5

How Do We Set Up A Retention Program?

Most line managers think that the reason employees leave is for more money. As stated previously, the research shows that is not the case. Money matters, but what employees say they want most is work that is challenging and meaningful, good bosses, and good opportunities for learning and development. These are all factors that are solely or largely under the control of managers. But many managers don't take responsibility for retaining good employees. They see it as something that the human resources office should worry about—a serious misconception.

These are the realities that must be addressed in order for a retention program to be successful. Beverly Kaye and Sharon Jordan-Evans provided a blueprint for action in a recent article (Kaye and Jordan-Evans, 2000). They suggest a three-phase process, which is outlined below.

Take stock.
Then take action.

PHASE ONE: DEFINE THE PROBLEM AND DESIGN CRITICAL SUPPORT STRUCTURES

STEP 1: COLLECT AND ANALYZE ALL TURNOVER AND EXIT INTERVIEW DATA

This is one of Kepner-Tregoe's retention drivers—first take stock, then take action. Many companies have ineffective retention programs because they don't bother to analyze turnover and other data properly. The data must be broken down and analyzed by key demographic variables and by occupation to fully understand the nature of the retention problem. For example, retention issues for federal computer specialists under 30 probably are not the same as for financial analysts age 40 and over.

Data on turnover among star performers in key positions should also be collected and analyzed. According to the Corporate Leadership Council, one of the myths about workforce turnover is that a low turnover rate means that the organization does not have a retention problem (Corporate Leadership Council, 1998). The reality is that a low turnover rate may hide higher turnover among star performers in key operational areas. The departure of even a handful of top performers

may have a big negative impact on organizational performance.

Federal agencies that do not have an exit interview program, should begin one. Agencies must realize that departing employees will only provide valid information if they trust the interviewer and the confidentiality of their responses. An effective but more costly way to obtain good exit data is to conduct a follow-up interview three to six months after the employee leaves.

The data on turnover should be used to calculate the cost of losing key employees. A worksheet for doing this appears in Appendix B.

Find out what employees and managers think.

Step 2: Conduct a survey on beliefs about retention

The survey should cover managers at all levels and the results for each group should be compared to spot differences. The survey should attempt to find out what managers think about the causes of turnover, their own role, and who should be accountable for retention problems. Data from employee satisfaction surveys may also help define the problem.

Step 3: Get Broad Input Through Focus Groups and Interviews to Define the Ideal Future Status for Retention and the Barriers to Achieving It

The future scenario approach may be useful with focus groups that represent a cross-section of the organization. Questions for one-on-one interviews or focus groups might include the following:

- What are the two or three top drivers that keep you here?
- What are things that might make you leave?
- Why do you think most people stay?
- Thinking about someone good who left recently, what were the causes, what did it cost in money and other losses, and what could have prevented the person leaving?
- What are some things your immediate supervisor could do now to improve your retention situation?

Define the ideal future state.

Step 4: Conduct a Future Scenario Building Session

This is similar to the visioning exercises conducted by many organizations for strategic planning and developing mission statements. Working with a group of senior managers, the goal is to define the ideal future state for retention in the organization and identify the barriers to achieving it. An example of such a group desired future state in one year, might be as follows:

- we have retained 95 percent of our senior analysts
- we are beginning to be known as a good place to work that cares about keeping good people

- customer satisfaction scores have increased significantly for all major programs

After having the group visualize the organization's desired future state, have it generate descriptions of the organization's current state. Then generate a list of potential barriers. (For example, managers who lack the skills to manage people, lack of a retention mindset by the organization, or insufficient training and development opportunities for employees.) Finally, have the group brainstorm to come up with a list of strategies to overcome the barriers.

Find barriers and solutions.

Step 5: Compile the Data, Prepare Recommendations, and Report Out

Compile all the information collected on turnover from exit interviews, employee surveys, the manager survey on retention, focus groups, and individual interviews. Next analyze the data and prepare recommendations. The results of the future scenario exercises should provide the direction for much of this step. Finally, brief the senior management team and finalize the recommendations based on their input.

Brief them.

Step 6: Establish a structure

Recruit one or more retention coordinators who will report to a standing retention committee. The human resources office typically will provide the retention coordinators. Their role is to provide a focal point to ensure that retention strategies and tools are being implemented in all areas of human resource management and daily operations. The coordinators should interface with recruiters, line managers, trainers, and rank-and-file employees.

Create a retention action committee of managers and others.

Form a standing retention committee that includes a mixed group of senior managers, line managers, and employees. The committee may be headed by a person designated as the retention champion, usually a senior manager who has regular access to executive-level meetings. The first task of the retention committee could be to develop a detailed action plan to implement the recommendations approved by senior management (step 5). The committee can undertake various assignments such as collecting data on retention risks, benchmarking other organizations, and helping to build retention strength through manager training, individual coaching, career development, etc.

PHASE TWO: PREPARE MANAGERS TO BECOME OWNERS OF THE RETENTION PROBLEM

Start viewing managers as retention owners.

This is going to take time and will be done concurrently with phase three. The best place to begin is for the HR office to start viewing line managers as the owners of the retention issue. A new view of retention—that it is part of managing people—needs to be articulated and disseminated by the retention champion. Some ideas for getting managers on board with this idea include:

- show them the research, e.g., the numbers in this report, to illustrate that the most important retention factors are under the supervisor's control
- show them how much it costs when they lose a member of their staff

- provide them with a tool to assess their own strengths and developmental needs in competencies that have an impact on retention
- provide good training to help them improve in these competencies ("good" means training that meets their needs and is offered when and where they need it)

PHASE THREE: BUILD EVALUATION AND ACCOUNTABILITY SYSTEMS

As with any project, it is important to evaluate the retention program on a regular basis. This should be part of the evaluation of the workforce planning process. The evaluation should help to determine if the program structure is working, whether the right people are in the key positions, and whether there is sufficient top-level support.

Evaluate on a regular basis.

Are your organization's managers being held accountable for retention? Existing accountability procedures should be evaluated and, if found wanting, should be strengthened. Performance appraisals and the rewards system must support good retention practices on the part of managers.

Good sources of data for evaluating program success and overall accountability include turnover rates, exit interviews, summary data from 360-degree feedback surveys, and employee satisfaction surveys.

CHAPTER 6

Findings and Conclusions

FINDING—The nature of the federal retention problem is different from the private sector. Federal turnover rates are low; in the short-term, an aging workforce and skills imbalances pose a greater problem than retention. But, retention is becoming a growing problem. Now is the time for federal agencies to develop and implement strategic retention programs.

Now is the time to develop strategic retention programs.

A recent study of 24 agencies by the General Accounting Office (GAO, 2001) found that 31 percent of federal employees working in 1998 will be eligible to retire by FY 2006. According to the study, about half of these, or about 15 percent of the 1998 workforce, will actually retire by FY 2006. It is important to note that these rates vary significantly across agencies and occupations. Actual retirement rates range from only 7 percent at NASA to 29 percent at the Agency for International Development. Of the 29 "critical occupations" studied by GAO, 17 will experience an actual retirement rate of 18 percent or more by FY 2006.

FINDING—Much of the hype about the war for talent is based on two claims: the reason people leave jobs is higher pay and employees are no longer committed or loyal to their employer. The reality is more complex. Pay is rarely the only reason—or even the most important reason—that employees leave. The nature of employee loyalty has changed.

Realities of retention are complex.

A number of empirical studies published in the past several years explode the myth that money is the biggest weapon in the war for talent. While it is usually among the top five reasons, the other four are usually "big guns," too. In Kepner-Tregoe's 1999 survey of managers and employees, more than two-thirds of respondents reported that their organizations had tried to solve the turnover problem by paying higher salaries, but had failed. Pay ranks fourth in the list of reasons that people stay in their jobs, according to a broad survey of more than 6,000 employees by Kaye and Jordan-Evans. Pay ranked either first or second in three other studies.

One significant retention factor for federal agencies is that pay must be within a

competitive range vis-à-vis the private sector, particularly for scarce and critical skill areas. The determination of what constitutes a competitive range depends upon the occupation and local labor market conditions. Once some type of pay comparability is achieved, non-monetary issues such as type of work, insurance policies, flexible work arrangements, work-life programs, and management style become more important. In fact, these factors are often the keys to successful federal recruiting and retention efforts.

An employee expresses loyalty by high performance.

The popular press is full of articles bemoaning the end of employee loyalty and commitment. Several studies (Roehling, et.al., Spherion) suggest instead that the nature of loyalty has changed. The new types of loyalty and commitment are conditional, in contrast to traditional unconditional loyalty from employees to employers and vice versa. Many employees, particularly younger workers, now view the relationship as lasting only as long as the employer provides them with developmental opportunities, chances to have a say in decision making, and rewards for good performance. Research by Spherion and Louis Harris and Associates found a new "emergent workforce" that cuts across age, gender, and geographical location. These individuals are just as loyal as traditional workers but they define loyalty differently. For them, an employee expresses loyalty by high performance, not by the number of years spent with the same company.

This new deal requires a new way of leading and managing.

FINDING—There is a new deal in the workplace; organizations now compete and add value through intellectual capital. This fact has changed the employment relationship. This new deal requires a new way of leading and managing in order to attract and retain good people.

Following successive waves of downsizing, mergers, and acquisitions during the 1980s and 1990s, companies are seeking new sources of competitive advantage. At the same time, thanks to new technology and the rise of the global economy, work has become more complex and the ability to change, learn, and innovate rapidly is more important than ever before. Leading companies now view human capital management as the key to achieving a competitive advantage.

Control and hierarchy are barriers to realizing the full value of intellectual capital because they inhibit the flow of ideas and knowledge. Since employees are vital assets, managers cannot be effective if they are isolated from the people in their organization. Improving the connection between individual managers and their employees is critical to making the new deal work.

Extensive research shows that most of the factors that cause people to stay or leave an organization are under the control of their immediate supervisor. People want training, career development opportunities, open communication, and flexible work arrangements. Leadership under the new deal means involving employees in decisions and in setting goals. This requires sharing power with employees.

FINDING—Rather than trying to win "the war for talent" by competing for a very limited pool of top performers, federal agencies should adopt a strategy that turns the terms of engagement to their advantage. This strategy should involve attracting and retaining good employees, eliciting extraordinary performance from ordi-

nary people, and offering meaningful work, excellent benefits, a good work-life balance, and effective supervision.

The war for talent, as conventionally defined, does not offer a level playing field for federal agencies. Agencies cannot compete successfully with private companies solely on the basis of pay or customized terms of employment. Instead, agencies should focus on creating a workplace where people can realize their full potential. This is accomplished by defining clear roles for people, giving them the resources they need to do the job, and giving them the freedom to work to their potential. A retention strategy aimed at creating the most attractive work environment will not only improve retention, it will also help to attract high-quality talent and increase the productivity of the workforce.

Most of the best practices in retention can be implemented by federal agencies with no new regulations or legislation. Indeed, federal service has inherent advantages in offering work that is meaningful, interesting, and challenging. When combined with great benefits, training and development opportunities, and the ability to achieve a good work-life balance, a job in a federal agency very often becomes quite attractive when compared with private-sector alternatives.

Most retention best practices can be implemented by federal agencies.

Pay is a threshold issue—if federal pay is comparable to private-sector pay, other non-monetary considerations come into play. For some federal occupations, pay is competitive now. For some others like information technology specialties, it is not. Getting federal pay to this competitive level (and keeping it there) is a necessary condition for implementing any kind of retention program that plays to the strengths of federal service. In the short term, agencies must move ahead aggressively to implement the retention strategy outlined above, while continuing to press for more competitive pay levels. The pay issue can be and is in many cases, neutralized or overcome by skillfully crafted recruitment and retention strategies.

FINDING—In studying leading retention programs in 11 companies, Kepner-Tregoe identified seven key drivers of success.

Seven key drivers of success.

1. View people management as a strategic business issue. This is the key untapped source of competitive advantage in most organizations today.
2. Don't manage retention. Manage people. Focus on how to manage the work environment to better leverage human assets.
3. Create a culture of caring, balanced with a tradition of excellence. Top performers thrive in organizations that demand high standards of performance and empower employees.
4. First take stock. Then take action. Collect extensive data on turnover and employee satisfaction and use this as the basis for action.
5. Keep an eye on top performers. Tie rewards to performance.
6. Provide a stair-stepping process for conflict resolution. The goal is to create alternative channels for resolving employee-supervisor problems.
7. Pursue continuous improvement relentlessly. Constantly measure, analyze, evaluate, and fine tune the way work gets done.

FINDING—Setting up a retention program that works involves three phases: (1) defining the problem and designing critical support structures, 2) preparing man - agers to become owners of the retention problem, and 3) building evaluation and accountability systems.

The development of a retention program should be part of an ongoing workforce planning process. The first phase, defining the problem and designing support structures, consists of the following steps:

1. Collect and analyze all turnover and exit interview data.
2. Conduct a survey on beliefs about retention, especially among managers.
3. Get broad input through focus groups and interviews.
4. Conduct a future scenario building session.
5. Compile the data, prepare recommendations, and report out.
6. Establish a structure for managing and implementing the retention program.

The second phase is to prepare managers to take ownership of the retention issue. This will take some time and will overlap with the next phase. In phase three, an evaluation process should be put in place and mechanisms should be established to ensure accountability for success of the retention program.

Retiring baby boomers are redefining the meaning of career.

FINDING—The proportion of older workers will grow by more than 50 percent from now through 2004. Legislative and policy changes will be required to give agencies the flexibility they need to retain and re-employ older workers.

The wave of retiring baby boomers is already starting to redefine the meaning of a career. According to AARP, 80 percent of this group plan to work at least part time after the normal retirement age. Current federal policies and practices tend to make employment an all-or-nothing proposition. Worse still, hiring retired employees is unattractive to agencies and taking a job at reduced pay makes re-employment unattractive to federal retirees. These constraints could make it difficult to compete with other employers who offer more flexible employment opportunities, such as part-time or intermittent work.

OPM and OMB should give serious consideration as soon as possible to the following measures: 1) new regulations or legislation to permit federal retirees to be re-employed in a federal job without reduction in pay for the position, and 2) some modification of the FTE policies of the OMB to facilitate more intake of younger workers.

A NOTE ABOUT PART II

The material presented in Part I should help the reader better understand the employee retention issues facing federal agencies and what strategies could be adopted to meet the challenge in the years ahead. The project team also reviewed some successful practices and examples of companies with effective retention programs. A logical question is how did these companies get to where they are today? How did they turn ideas and strategies into real results, as measured by low

turnover and high productivity? In order to help the reader answer these questions, Part II includes a series of 15 successful organization practices. How each was developed and implemented is discussed in detail. You are encouraged to read on!

PART II

Everyone Talks About Retention—Successful Practices of Those Who Are Doing Something About It

PART II

Everyone Talks About Retention—Successful Practices of Those Who Are Doing Something About It

INTRODUCTION

Remember the old saying:

> "Everybody talks about the weather, but nobody does anything about it"

There are hundreds of articles, books, data, charts, web sites, scholarly studies, meetings, and conferences on retention. Everyone is weighing in on the issue. Government agencies are talking about the aging workforce, the growing number of retirements, and the lack of replacements. But is anyone really doing anything about it? The project team went to find out.

In this section of the study, readers will review successful practices from eight federal agencies and seven private-sector firms. Of the seven firms, two are Baldrige Quality Award winners and three are among the Fortune 100 Best Companies to Work For. Although the project team has selected different types of successful practices, readers will see, particularly in the private-sector cases, that the work environment is most significant to retention.

The successful practices highlighted in this study cover a range of activity from holistic approaches to very specific examples. The organizations vary in size from several hundred to several hundred thousand employees. The project team selected examples that would be useful to a wide variety of readers.

Robert Levering, researcher for *Fortune's* 100 Best Companies to Work For, has said that best practices and good policies do not make a great workplace by themselves. He has noticed in his research that quality workplaces depend on quality relationships. He defines three basic relationships in the workplace:

- relationship with management
- relationship with the job
- relationship with other employees

Everyone Talks About Retention—Successful Practices of Those Who Are Doing Something About It

In the January 8, 2001 *Fortune* article featuring the 100 Best Companies to Work For, Levering and his associate, Milton Moskowitz, say the competitive edge is the culture of the workplace. However, they state that creating a positive work culture is not easy, and that an effective culture in one organization cannot always be duplicated in another.

With all that has been written and said about retention, the Corporate Leadership Council (CLC) has probably done the best job of summarizing and organizing the many factors that affect retention. And, their findings are consistent with the reasons why people stay in an organization discussed in Part I. The CLC groups the retention factors into four areas:

- Organization Environment : Includes culture, values, company reputation, executive quality, employee development, risk taking, leading technologies, and trust.
- Work Environment : Includes effective supervisors, quality coworkers, challenging work, continuous learning, involvement in decision-making, clear responsibilities, and recognition.
- Work-Life Balance : Includes flexible hours, telecommuting, dependent care, alternate work schedules, vacation, and wellness.
- Compensation and Benefits : Includes base salary, benefits, stock, and bonuses that are a percentage of salary.

In describing these factors, CLC says that companies need to develop a "compelling offer." They need to understand what factors of the employment relationship are most valued by employees. Federal agencies, as you will note in the case studies, are developing programs and approaches in these same areas to build for the future.

The successful practices discussed in this section cover the areas above, except for compensation and benefits. The Academy's Center for Human Resources Management has already completed a study on pay, *Comparative Study of Information Technology Pay Systems Research Report Phase I*, February 2001.Although the focus of this study was on the federal IT occupation, the study findings are germane to the entire federal workforce. The Academy made final recommendations for change to the CIO council on August 31, 2001.

Retention is not just one program.

As staff from the Deloitte Touche National Human Resources (HR) Office has pointed out retention is not just one program. Retention is a whole, integrated approach to building a high-quality workforce. (Beck, 2001). (See Appendix C for a listing of the Deloitte Touche HR programs.) The project team has seen many retention activities scattered about, but the best organizations are building carefully crafted strategies, using multiple approaches or activities. Each organization must take into consideration the factors that make it unique, such as culture, what employees value, and its industry. Read the practices to see what others have done in the context of their organizations.

The following discussion of the successful practices of Southwest Airlines, SAS Institute, Continental Airlines, and Operations Management International, Inc., highlights powerful organization cultures. These companies have strong values that guide how they treat employees and build their retention strategies. In the federal sector, the Social Security Administration, the Department of Health and Human Services, and the Veterans Health Administration have developed organizational strategies to build their workforces of the future. The successful practices of the Dana Corporation, Spicer Driveshaft Division, show how organizational culture surveys are used for short- and long-term planning. The Department of Defense example shows how the agency's acquisition function is taking a highly integrated approach to building its future workforce. The Department of Army, Department of Education, and Movie Gallery practice demonstrate some specific strategies for improving retention and the work environment.

PRACTICE #1: DOING BUSINESS THE SOUTHWEST WAY

Culture is the glue that holds organizations together.

SOUTHWEST AIRLINES

Southwest Airlines, headquartered in Dallas, Texas, flies to 57 cities in 29 states with 2,700 flights a day. Southwest performs well even in an industry not performing well financially. Southwest has turned a profit every year since 1973. It was the only profitable airline between 1990-1994. In 2001, Southwest was ranked number four on Fortune's *100 Best Companies to Work For. Southwest was also ranked number three on the National Airline Quality Rating that measures on-time performance, baggage handling, and customer complaints. In 2000, the company reviewed 216,000 resumes and hired 5,134 employees.*

When you talk about Southwest Airlines, you have to talk about culture. They have a slogan: "It's not just a job, it's a crusade" (Freiberg, 1997). Culture is the glue that holds organizations together, and it encompasses beliefs, values, experience, rituals, and communication (Ibid.). Culture drives Southwest's pursuit of excellence, its respect for employees and customers, and its emphasis on having fun.

This successful practice highlights the retention factors of this organization and work environment.

WHY? WHAT ARE THE DRIVERS?

A can-do, inventive spirit.

Southwest's culture is rooted in its early struggles just to get off the ground. The story has been told many times about Texas entrepreneurs who had a dream to operate an intrastate airline. However, that struggle had an undeniable impact on how the Southwest culture developed. The company had to literally fight for its survival. The big airlines threw legal barrier after barrier to keep Southwest grounded. When Southwest finally flew, the other airlines tried to keep it from getting gates at airports. Leaders of the company and employees knew the only way they could survive was to be better in their niche than anyone else. An intense work ethic grew, an esprit de corps, to fend against adversaries. For Southwest this resulted in a "can-do," inventive spirit among its leaders and employees that still exists today (Ibid.).

Because Southwest was small, everyone from company leaders to pilots to ground crew had to pitch in and help get the airplanes off the ground. This created an ethic of teamwork and a connection between executives, managers and front-line employees. That patented craziness that Southwest is noted for grew out of desperation. In their first year of operation, half of their advertising budget was used in the first few months. Word of mouth advertising became their best approach. They soon realized that acting outrageous got them noticed. Thus, was borne the outrageous personality that makes work fun, even today (Ibid.).

No insignificant job.

WHO IS INVOLVED?

At Southwest, everyone is involved. There is no insignificant job. Stories abound about how employees take matters into their own hands to help customers and to help each other. Employees are encouraged to be themselves. Employees can take new ideas to company executives and know they will have a fair hearing. The company routinely acts on and funds employee suggestions.

HOW IS IT DONE?

There is so much to say about how Southwest created and maintains its work culture; however, the following discussion only highlights the things that government agencies can do.

Vision and Corporate Character:

From the beginning, Southwest Airlines built its business on the vision of having the best service at the lowest fares for short-haul passengers. Part of the vision is to make flying affordable for more people. Southwest wants people to fly and fly often. Its employees believe in this vision. They go the extra step for customers, and are always looking for ways to cut costs without cutting service. The company also exists to make a profit, and is not as interested in market share. Profitability instead of market share has allowed Southwest to follow a "no furlough" policy, thus providing their employees job security.

Values and norms.

The following company values drive how Southwest treats its customers and employees (Ibid.):

- profitability
- fun
- individuality
- egalitarianism
- altruism
- low cost
- love
- ownership
- common sense/simplicity
- family
- hard work
- legendary service
- good judgment

Norms are values in action. The following norms at Southwest affect attitude, interactions with others, and how people solve problems. The following norms give a flavor for the company's character (Ibid.):

- be visionary
- celebrate everything
- hire the right people
- limit committees and keep them ad hoc

- keep a warrior spirit
- keep multiple scenarios
- minimize paperwork
- feel free to be informal
- move fast
- dare to be different

Leadership:

Much has been written about Herb Kelleher, CEO, and his legendary leadership of Southwest Airlines. Undoubtedly, his presence has made a difference in the airline's history. However, officials say that can-do spirit is found throughout the company. Most of Southwest's executives have come up through the ranks of the company and have been developed in the Southwest culture. Speaking at a Fortune CEO Forum, Kelleher said that if you have a strong culture, and you have a person succeed you that does not believe in that culture, he or she won't be there very long (Huey, 2000).

What makes Southwest leaders different from leaders of many other companies? They are accessible to employees and work alongside of employees. For instance, every year on the Wednesday before Thanksgiving, the busiest travel day of the year, company executives go to the front lines to work with their employees. Leaders honor their employees (as discussed below in the section on communication). They believe in people. Interestingly, Southwest's human resource department is called the People Department. At the CEO Forum, Kelleher described the leadership approach as follows: "My mother taught me that your employees come first. If you treat them well, then they treat the customers well, and that means your customers come back and your shareholders are happy." (Ibid.)

Executives accessible.

Work alongside employees

In the beginning, Southwest needed new ideas quickly to survive. The company still encourages employees to question authority and challenge convention. Kelleher has often said: "Question it. Challenge it. Remember decades of conventional wisdom has sometimes led the airline industry into huge losses."

A real measure of leadership is what happens with failure. One of the major factors contributing to Southwest's success is the removal of the fear of failure (Ibid.). Company leaders know that they have given employees a lot of responsibility and authority. There is risk in doing that, and sometimes employees fail. Southwest has decided to take the long-term view: giving employees the freedom to try new ideas, to make mistakes and learn from them. The company has examples of people who made very big and costly mistakes, who were not fired or demoted, and who "learned to tell about it." (Southwest will not tolerate bad customer service, however.)

Southwest managers understand that they need to spend one-third of their time out of the office walking around. This doesn't mean observation or critiquing work; it means doing work and spending enough time to appreciate what people are doing.

The more employees know, the more they care.

Communication:

Southwest saturates its employees with information, particularly front-line employees who need information to make good decisions and provide legendary service (remember one of the values). It believes that the more employees know the more they care about their job and customers. Southwest disseminates a lot of its information through its corporate newletter, LUV Lines. It is a powerful tool for creating knowledge. Some of its special sections include the following:

- "The Learning Edge"—provides employees with new ideas and insights that will help them do their jobs better.
- "How Do We Rate"—compares monthly statistics for on-time performance, baggage handling, and customer complaints with the previous month. Employees see how they are doing with the competition because they know the company's success rests on them.
- "Industry News"—provides employees with information on all the other airlines. They learn about financial performance, expansion, aircraft, etc.
- "Scenarios"—presents "real life" stories of Southwest. Sometimes, there are stories of employees providing extraordinary service. In presenting these stories, Southwest believes that people inspire other people to be extraordinary.
- "Milestones"—shows the company's progress. Southwest believes employees should know about the company's achievements.
- Special topics—may give information on topics like profitability

Southwest encourages employees not to just read LUV Lines but to discuss the articles with other employees and learn from each other.

Southwest also sends out quarterly news videos, "As the Plane Turns" to give updates on special events or to provide special messages. In addition, Southwest holds cultural exchange meetings to bring employees together to share ideas and information.

Communicating the organizational culture extends to the walls of Southwest's corporate headquarters which are not lined with artwork. They are lined with photos, articles, ads, and trinkets that provide a history and current face of the company.

Corporate Learning:

Southwest's University for People provides a full range of courses on how to lead, run an airline, practice stewardship, care for customers, and live the company values. It also believes in action learning. For instance, new customer relations representatives are matched with a senior person known for their service. They go through a four-week learning-by-example process. To begin, they are introduced to ground operations by working with customer service agents. They sell tickets, issue boarding passes, and tag baggage. Then they listen to senior customer relations representatives assist customers. Then they practice. They are mentored and coached during the entire process.

Other programs that promote learning by doing (Ibid.):

- "Walk a Mile in My Shoes" program helps employees gain an appreciation for other people. Employees visit another department and spend a minimum of six hours on their "walk."
- The "Day in the Field" is another way to reinforce culture. For instance, a senior communications representative might work with flight attendants on a trip to get a firsthand view of flight operations.
- The "Cutting Edge" program encourages pilots to get out of the cockpit and onto the ramp to promote communications and teamwork between flight crews and ground operations. This is key to their on-time performance.

Learning by doing.

Recognition:

The following awards are examples of recognition reflective of the Southwest culture:

- "Winning Spirit" Award-Every other month 10-12 employees who embody the spirit of Southwest values are honored at the headquarters. They receive a winning spirit pin, two passes on Southwest, and a picture with Kelleher.
- "Founders" Award-Employees who go beyond the call of duty on a consistent basis in community service, outstanding performance, and implementation of creative solutions receive this award.
- "Presidents" Award-Employees who demonstrate compassion for customers, support of co-workers, and following through receive this award.

Both the Founders and Presidents Award winners come to an annual awards banquet to receive a plaque, cash award, and a collage of pictures from the banquet.

Southwest Key to Retention: Hire the Right People:

Basically, Southwest hires for a fit with their culture. They hire for attitude because they can train for skills. Southwest looks for a sense of humor because they believe fun and laughter are life enhancing and part of their culture. They look for people who are other-oriented and have outgoing personalities. Southwest uses a "Targeted Selection" process to hire people with the right spirit. Typical interview questions may include "Tell me how you recently used your sense of humor in a work environment." "Tell me how you used humor to defuse a difficult situation."

Hires for a fit with culture.

In-group interviews, Southwest looks for humor and unselfishness. For instance, interviewers may ask a group to prepare individual presentations about themselves, and give them plenty of time. During the interviews, they don't just watch the speaker. They watch to see who is busy preparing their own presentation and who is cheering each speaker. They want the one cheering.

Southwest's recruitment ads go for the attitude. For instance, one successful ad showed a child coloring outside the lines with a caption: "Brian shows an early aptitude for working at Southwest Airlines."

Fun, Fun, Fun

It is said that Southwest spends more time planning parties than it does producing strategic plans. The company encourages everyone to enjoy their jobs and to have fun with customers.

WHAT ARE THE RESULTS?

The Southwest culture has created a formidable force in the airline industry. The airlines' profits are excellent; its customers are happy, and it continually performs well by industry standards for on-time performance, baggage handling, and customer complaints. Southwest's turnover rate is between six to seven percent.

KEYS TO SUCCESS

- leaders who understand people make the difference
- an organization where people identify with the vision
- communicate, communicate, communicate
- a work environment that supports employees, ideas and does not fear failure
- understanding organizational culture and hiring people who "fit"

PRACTICE # 2: TREATING EMPLOYEES AS IF THEY MAKE A DIFFERENCE

SAS INSTITUTE

SAS is a privately owned software company located in Cary, North Carolina. It is a leader in e-intelligence software and services that enable customers to turn raw data into useable knowledge. SAS software allows users to extract, manage, and analyze large volumes of data for influencing business decisions. SAS serves more than 35,000 business, government, and university sites in 110 countries. Founded in 1976, the company has had 24 years of double-digit growth. SAS is number two on the *Fortune* list of Best Companies to Work For.

This practice highlights the retention factors of work-life balance and organizational environment.

If you treat employees as if they make a difference, they will.

SAS offers a wide array of programs to create a quality work environment for employees and their families. This is the reason SAS is consistently one of the 100 Best. SAS understands that employees are seeking a workplace that does not force them to choose between family and work (Kaye, 1999).

WHY? WHAT ARE THE DRIVERS?

You can read the SAS human resource management philosophy in its words on the company web site:

> "If you treat employees as if they make a difference to the company, they will make a difference to the company."

Since its founding, SAS has followed an employee-focused philosophy, leading to the concept that satisfied employees create satisfied customers. This philosophy goes back to SAS, early days as a start-up (Fishman, 1999). The company had a number of female employees, and some of these women began to leave to stay home with their children. The women were typically two to three years into their career. The company could not afford to lose them because the company was

small. And, the employees would probably have to start all over if they returned to the workplace. So, SAS began providing day care in the basement in order to retain those employees. It worked, because today 51 percent of SAS managers are women. The point of the SAS strategy is "to make it impossible for people not to do their work." (Ibid.).

WHO IS INVOLVED?

The company has a group that meets monthly to discuss proposed new benefits and programs. The group evaluates new benefits based on three questions:

- Does the benefit fit with the SAS culture?
- Will the benefit serve a significant number of employees?
- Will the benefit be cost-effective? (Is the value equal to the cost)

Every proposed benefit or program must meet all three tests.

Make it impossible for people not to do their work.

HOW IS IT DONE?

SAS Child Care Center : SAS has the largest on-site day care center in North Carolina. After one year of continuous service, employees in Cary can apply for enrollment of their children at the center. Regional employees can apply for enrollment of their children at state-licensed centers. In addition, the SAS cafeteria has baby seats and high-chairs so families can eat lunch together outside the center.

Cary Recreation and Fitness Center : SAS offers a 36,000-square-foot center to employees and eligible dependents at no cost. The center offers a variety of activities at all skill levels, educational programs on health-related issues, and leisure and special events to keep people active. Massages are available several times a week. The center even launders workout clothes. Regional employees may choose selected health clubs or fitness centers. The company also has soccer and softball fields at the Cary location.

On-Site Corporate Health Care Centers : Health Care centers in Cary and Austin are available to employees and their dependents, who may choose the centers for primary care as space allows. The centers provide services in nutrition assessment and education, physical therapy, short-term psychological counseling, allergy shots and more.

Corporate Environment :SAS founder, Dr. James Goodnight, tells about interviewing for a job in the 60s in which the interviewees sat at desks that were lined up next to one another, row after row with no privacy. He explains the SAS approach: "I believe that a person's surroundings have a lot to do with how a person feels. We try to have nice surroundings here." (Ibid.) Some examples of the environment are:

- well-manicured office campus
- private offices for all professional employees
- atrium-like cafeterias in which employees enjoy low-cost lunches with live piano accompaniment

- generous number of sick days
- generous number of days to care for family members
- 35-hour work week where most people take off by 5:00pm.
- flexible work schedules
- adoption assistance plan
- emphasis on taking a break if you need it and staying healthy
- break rooms on every floor in every building
- free M&Ms in every break room on Wednesdays and breakfast on Fridays

A tradition of inspiring employees with interesting and challenging work.

But, more importantly, when *Fast Company* and *Interactive Week* profiled the company, they found that SAS has a tradition of inspiring employees with interesting and challenging work. An SAS employee sums up the approach this way: "Here I know that everything I do has an impact on the final product. That gives you a sense of responsibility to get things done right and on time." Another employee indicates, "There's an attitude here of 'We'll describe the problem and we'll trust you to make the solution,'" (*Interactive Week*, 2000).

SAS leaders are accessible, and demonstrate themselves that the work people are doing is important. An SAS employee wrote to *Interactive Week* saying: "Many people don't realize this, but Dr. Goodnight and John Sall (owner and senior vice president) still take an active part in developing code and participating in the maintenance of some of the applications with SAS Software. Dr. Goodnight will walk through the halls and help employees with bugs they might be fixing or code they can't quite get to work right. How many CEO's in the software industry can you say that about?"

Managers at SAS work alongside their employees. Employee groups agree on deadlines. Managers understand what their groups do. So, they rarely make unrealistic promises on milestones and completion dates (Fishman).

Lest you believe employees can take unfair advantage of this largesse, the company does hold employees accountable for their work. Dr. Goodnight can look up detailed reports on sales and performance. He can track technical support call data and he can monitor reports about bugs in new software. Accountability extends to documentation. Every SAS product manual includes the names of the developers and testers. Customers are surveyed each year, and customers make many suggestions for product improvement.

What Are the Results?

SAS's turnover rate is listed variably from three percent to five percent, depending on the source and the year of the data. The Raleigh area is full of SAS competitors, so employees make a conscious decision to stay (Fishman).

SAS is number two on the *Fortune* list of Best Companies to Work For. The company is number five on *Interactive Week's* list of Top 10 Companies to Work For. Interactive Week rates companies on: ability to get involved in decision-making;

opportunity for advancement; opportunity to work on projects strategic to the company's mission; work environment, and financial compensation.

The benefits at SAS contribute to a foundation of loyalty that supports the continued growth of the company. A typical software company of comparable size to SAS loses about 1,000 employees per year. The SAS loss is about 130. That means SAS does not have to replace about 870 employees that others have to replace, resulting in cost savings on recruitment as well as lost time while jobs are unfilled. Hewitt Associates and the Saratoga Institute, two independent consulting firms estimated conservatively that SAS saves about $67.5 million a year (and that was several years ago) because of its low turnover rates (Ibid.)

A foundation of loyalty.

KEYS TO SUCCESS

- quality of work environment
- balanced lifestyle
- family friendly programs
- accessible leadership
- challenging work
- accountability for work

PRACTICE # 3: WHAT DO EMPLOYEES SAY ABOUT ONE OF THE BEST COMPANIES TO WORK FOR?

CONTINENTAL AIRLINES

Continental Airlines, based in Houston, Texas, is the fifth largest air carrier in the United States with flights to 133 U.S. and 92 international destinations. Continental has 55,000 employees. Continental was Number 18 on Fortune *list of the 100 Best Companies to Work For. It was also winner of the 2001 "the Airline of the Year" distinction given by* Air Transport World *magazine. In 2000, Continental received recognition by JD Powers as the best airline for both long and short hauls, the only airline to have been cited for both.*

The format of this case study differs from the other successful practices. This is the transcript of an interview with two employees of Continental Airlines in May 2001. The interviewer is an Academy consultant and the two employees are flight attendants with 24 years and 23 years experience respectively. (The reader will note many of the same retention principles that are found in the introduction to the successful practices.)

Yes, we're #18 on the Fortune *list.*

When the interviewer boarded a Continental aircraft, she noticed the *Fortune* logo for the 100 best companies to work for, and the Air Transport logo by the door. When she commented on the Fortune logo to her husband, one of the flight attendants, with considerable pride, said, "Yes, we,re number 18 on the Fortune list!" The interviewer wondered about the source of that pride. When the flight was delayed for heavy thunderstorms, the flight attendants agreed to be interviewed.

Interviewer : From your perspective, why is Continental Number 18 on the "100 Best Companies to Work For" list?

Flight Attendant #1 : When I first joined Continental, it was because of the company's reputation. I was proud to work for the company.

Flight Attendant #2 : I joined for the high reputation and for pride in the work.

Both talked very briefly about the difficult times during Continental's Chapter 11 Bankruptcy proceedings, and how the environment had now changed under new leadership.

A "respect fellow employees culture.

Flight Attendant #1 : Now I'm proud of the company again. We have a CEO, Mr. Gordon Bethune, who wants to make a success of the company. The leadership of the company is putting effort into improving our service to customers. It's not a "them" and "us" situation. The company has established a "Respect Fellow Employees" culture. Employees are respected again.

Flight Attendant #2 : Mr. Bethune has turned the company around with good employees. He knows employees make the difference. We know and share the corporate goals:

- fly to win
- fund the future
- make reliability a reality
- working together

Employees are empowered. Instead of simply following a rulebook, leaders let employees make decisions, and we bring the customers back.

Flight Attendant #1 : We have a rulebook, but we can now customize service depending on the type of customer. There is respect that we can make the right decisions because we are with the customer every day.

We bring the customers back.

Flight Attendant #2 : Top leaders come to see employees at training sessions. We see top leaders at the gates. They shake hands with us. They are accessible, and not in an Ivory Tower. They see what is going on, and know that we are part of the success.

Interviewer : Are there benefits beyond compensation that make a difference in your decisions to stay with Continental?

Flight Attendant #2 : Yes. The flexibility of scheduling has kept me here, even in the bad times. I saw what senior people had when I was new and I could not wait to get there.

Flight Attendant #1 : We have lots of choices here that other airlines do not have. We bid on schedules monthly according to seniority. We can have a four- day workweek and a four-day weekend. Continental is offering a life style, not just cash.

Flight Attendant #1 : We have travel passes for ourselves and immediate family members. The company now offers a companion pass. We can choose a companion to fly with. That person can fly with us on a stand-by basis.

Flight Attendant #2 : We have an On-Time-Performance Bonus. It's a monthly award given to all employees in the company. If 80 percent of the flights are on time, or Continental is in the top three of carriers for on-time performance, employees share a bonus in their paychecks. If Continental is number one, the bonus is even higher. We share in the success of the company.

Flight Attendant #2 : We also have a Perfect Attendance Program. The program runs from January to June, and from July to December. If an employee has perfect attendance during one of the six-month periods, they are placed in a drawing for a new car. There is one prize per major employee group.

Our paperwork is computerized.

Flight Attendant #1 : The company makes this program attainable for employees.

Flight Attendant #1 : We have other good benefits. We have family medical leave up to 120 days per year. Maternity leave is three months prior to birth and six months after. We also have training. The initial training is six weeks. Every year after that, we have two days of recurrent training as a refresher on changes in company policy. Of course, we have training on new aircraft.

Flight Attendant #2 : This may seem like a small thing. But it's a change with the current company leadership. The company is keeping up with new technologies. Our paperwork is computerized. We can do work from home or from other remote locations. Office space has improved.

We have a birthday cake at the beginning of each month for all the birthdays. You now get letters of recognition and a thank you note for customer comments.

I'm paid to smile.

Flight Attendant #1 : We have a "We Care" program, fully funded by employees to assist other employees in times of need. An employee can choose to have an amount of money withheld for the program. One example is help given to employees who had lost their homes in Hurricane Hugo.

Flight Attendant #1 : I like my job. I'm paid to smile.

Flight Attendant #1 ended the interview with a personal story. She and her husband were hiking and camping on Mount Ranier as Continental was recovering its position in the industry. She looked up and happened to see a Continental plane overhead. Her husband studied her face, and said: "I think that's pride creeping back in."

HOW IS IT DONE?

In a *Fortune* CEO Forum (Huey, 2000), Gordon Bethune explained why some special programs were offered to employees. He explained that the company was losing about $6 million a month from being late. Mr. Bethune suggested taking half of the money and giving it to employees when they were in the top half of the 10 top-ranked airlines for on-time schedules. An associate said that would be $65 for every employee including managers, and that's too small to get anyone's attention. Continental did it anyway. In a short time they were in fourth place, and everyone got a check. The following month, they were in first. Continental continues to do well with its on-time record. Mr. Bethune indicated that teamwork improved.

Make work a place people actually want to go.

Instead of blaming others at "delay" meetings for late planes, they are finding ways to work together to safely get planes out on time. Continental is rewarding employees for beating other airlines, not each other. "That's how behavior changes: We become collective winners and give things customers value."

Mr. Bethune explained how they handled the "sick-out" problem when he became CEO of Continental. When people don't like their work, you get higher absenteeism. So, he figured why don't you make work a place people actually want to go. That was part of it, but they also offered new cars. The company offers eight vehicles, one for each major job category, every six months. "We have changed our absenteeism rates because we are a good place to work and because if it's December and you don't feel like coming to work, you say, There's only one more month, so come on, let's go, let's get in the drawing for the car! Those cars don't cost us anything. They're free, because they have more than offset the cost of absenteeism"

As Figure 2 shows, Continental also communicates its successes with its employees. The sample page is from the flight attendants, newsletter. Continental puts its successes in newsletters and on logos on the planes. Figure 2 also clearly demonstrates that employees will treat customers the way they are treated.

KEYS TO SUCCESS

- leadership that conveys to employees the goals of the organization
- communicating the goals to all employees
- respect
- pride in the organization
- allowing employees to make the "right" decisions
- rewarding the behaviors you want

Although government organizations cannot give away vehicles, they can reward and recognize the behaviors they want in employees, and they can find ways to communicate regularly with employees about the goals and successes.

PRACTICE # 4: IT'S NOT PROCESSES AND TOOLS. IT'S ABOUT CULTURE AND LEADERSHIP

OPERATIONS MANAGEMENT INTERNATIONAL, INC. (OMI)

OMI is a 2000 Malcolm Baldrige National Quality Award recipient. OMI is an employee-owned company that runs more than 170 waste water and drinking water treatment facilities in 29 states and eight other nations. Nearly 95 per cent of OMI's customers are cities, counties, and other public entities that have outsourced the operation and maintenance of their plants. OMI also has industrial and international customers. OMI has a dispersed workforce of 1,400 associates with only one site employing more than 70 people. OMI is headquartered in Greenwood, Colorado.

FIGURE 2: CONTINENTAL DOES IT AGAIN

2001

- *Fortune's* "100 Best Companies to Work for" (#18)
- OnePass Program Wins Four Top Freddie Awards
- Gordon Bethune Ranked Among the Top 50 CEOs in American by *Worth* Magazine
- Named the No. 2 Most Admired Airline by *Fortune* Magazine
- Continental Airlines Takes Five Honors at OAG Airline of the Year Awards
- *Air Transport World's* "Airline of the Year"

2000

- CO Airlines Jumps to No. 18 in *Fortune's* "100 Best Companies to Work for" List
- Continental Airlines' CFO Larry Kellner Wins 2000 CFO Excellence Award
- Continental Airlines Named Top U.S.Based Global Carrier in *Fortune* Magazine Survey
- Continental Airlines' Web Site Again Ranked No. 1 in Customer Satisfaction
- Continental Airlines' Web Site Again Lands No. 1 Spot in Forrester PowerRanking™
- Continental Airlines Ranks No. 1 in Customer Loyalty Survey

Continental Airlines

Best Place to Work.

I can ask any question and get a straight answer.
Management delivers on its promises.
Management shows appreciation for good work and extra effort.
Management genuinely seeks and responds to suggestions and ideas.
Management shows a sincere interest in me as a person, not just an employee.
I'm proud to tell others I work here.
This is a fun place to work. Work Hard. Fly Right.

Fortune's "100 Best Companies to Work For in America" uses the seven "trust factors" listed here to help determine which companies to choose. These are also the same principles our customers look for in us as employees. When we work in an environment following these guidelines, we are able to provide the same experience to our customers.

There are many reasons why Continental continues to win awards year after year! These are some of the most important factors our customers look for in us as their "best airline to fly". As a revenue customer or as a non-revenue customer, seeing these guidelines in place ensures we have a successful flying experience.

Continental Airlines

Best Airline to Fly

I can ask any question and get a straight answer.
Continental employees deliver on their promises.
Continental employees appreciate my business.
Continental genuinely seeks and responds to suggestions and ideas.
Continental employees treat me like more than just another customer.
I feel good recommending Continental to others
I will fly Continental again.

Work Hard. Fly Right.

OMI says: "we use a lot of tools and processes that others could duplicate, but it is our unique culture and leadership that make it all work." (Hunt, 2001)

WHY? WHAT ARE THE DRIVERS?

Ten years ago, Mr. Don Evans, OMI president, decided to implement the Baldrige criteria as a way to run the company. OMI wanted to be a quality leader. OMI had inherited a tradition of quality management from its parent company, CH2M Hill, which had embraced the concept of employee empowerment. CH2M Hill (based on the founders, name) still retains its founders, sense of entrepreneurial spirit, commitment to technical excellence, innovation, and emphasis on customer service.

A tradition of quality management.

OMI has expanded those themes since its founding in 1980. Through industry studies, OMI also found that poor quality costs as much as 20 percent of sales revenue. OMI reasoned that improved quality + better service + satisfied customers = increased productivity + lower costs + increased profits.

OMI had previously applied for the Baldrige award. It took the feedback from the initial application seriously when told the company needed to improve methods for gathering customer feedback. As a result, OMI conducts customer focus group meetings, develops quarterly client report cards, and has a web-based customer feedback form. In a quality environment, you keep working for improvement.

WHO IS INVOLVED?

Planning—an inclusive process.

Planning begins with the Red Team (the seven top executives), but becomes an inclusive process. An expanded leadership team, including regional executives and managers, sets organization priorities and strategic direction. These priorities and strategies are communicated to all sites where teams develop business and action plans, consistent with company goals that are specific to customer needs.

To share goals and coordinate efforts, OMI has long-standing focus teams: the Red Team, Information and Analysis, Human Resources (HR), Process Management; Customer Satisfaction, Strategic Planning, and Facilities Standards. Membership cuts across the organization in terms of function and people, including executives and hourly workers. A case in point is the HR Team. An internal customer survey showed that satisfaction with benefits was declining. The HR team, working with the HR department, conducted a focused study to improve benefits.

WHAT IS DONE?

Embracing a Culture

OMI's "Obsessed with Quality" process corresponds to the Baldrige criteria. The process spans the entire company, links all personnel levels, and creates a common foundation for OMI's geographically dispersed operations.

OMI uses a leadership process called Quality as a Business Strategy (QBS), which is a top-down, quality-driven approach to managing operations. It links individual performance and rewards to team accomplishments and achievement of OMI's cor-

porate strategic objectives. "Obsessed with Quality" training is a bottom-up approach to quality. It complements QBS and focuses on building and nurturing a culture of continuous performance improvement, customer service, innovation and teamwork (NIST, 2001).

OMI is unique in the sense that it does not typically hire its own employees. Generally when OMI takes over a project from a government agency or company, it inherits the employees who were already working in a plant. As you can imagine, the employees feel they are being "taken over." OMI's transformation process has to start early. Because this happens 10-15 times a year, OMI has developed a successful way to bring new employees into the company. Sixty days before OMI take over a plant, they hold orientation meetings with employees and their spouses to answer questions about OMI. They send a start-up team of company employees, both management and hourly. Those employees are associates who know how OMI works. The team members work side by side with the new staff. They "walk the talk" by letting the new people see their approach in action.

OMI inherits its employees.

At the same time as this initial orientation, OMI quickly begins its quality training, a series of eight-hour modules designed to teach people how OMI works and why it works. Although the actual training is proprietary, OMI agreed to share the outline of its basic course (Appendix D). Everyone in the company, from the person cutting the grass to the president, takes the course so everyone has a baseline from which to work.

New employees learn the motto of the "Three E's": enhance the environment, exceed customer expectations, empower employees. This motto and other quality techniques are communicated and reinforced in newsletters, e-mails, regional meetings, and check stuffers.

Three Es

- *enhance the environment*
- *exceed customer expectations*
- *empower employees*

The company holds two annual Project Management Summits, one for the Eastern United States and South American and the other for the Western United States and the Pacific Rim. The event, hosted by the Red Team, is for exchanging information on the state of the company, best practices, emerging technologies, and training needs.

Paid to Think

OMI works to empower its employees and encourage innovation. From 1996-2000, OMI's expenditures on training and tuition have almost doubled. Skill development is given high priority because all employees are empowered to improve job design, respond directly to problems, and fix customer issues. OMI encourages training that generally falls into four levels: specialized skills, culture, management and supervision, and leadership. OMI has expanded its management and leadership training with the addition of OMI University I and II. The university grew directly from the need of managers. OMI had technical people going into management positions without knowing how to use the tools and processes of the company. Customers also wanted managers with broader experience and knowledge.

The OMI University I includes:

- basic leadership
- working in a team environment
- conflict resolution
- HR subjects (recruiting and interviewing, managing compensation, discipline and performance management, and basic employment law)
- understanding finance and balance sheets
- managing budget
- case study on a real life situation (People work in a team to solve the problem)

OMI University II includes:

- conflict
- dealing with difficult customers
- financial tool, like Excel and OMI budget model
- risk management
- contracting
- safety/workers compensation
- customer service
- PR and media

Incentive-based compensation.

OMI also has a Mastery Program for managers of multiple projects, which is offered for 60 hours for 20 people from around the company. The Project Management Intern program is for external hires with skills in water and waste management. The six-months program acquaints new hires with the OMI quality approach. OMI has an incentive-based compensation program. Associates are guaranteed their current salary, and are eligible for a number of rewards."

Creative awards.

- "Golden Apple"—any employee can give to another employee for community service
- "Soaring Eagle"—casual award of dinner for two at a local restaurant
- "Lightning Bolt"—significant one-time bonus
- "Under the Partner in Performance" program-employees write a business plan, with company goals, financial goals and safety goals. If goals are met, the employees get a bonus, of which one-third is company stock and two-thirds is cash.

WHAT ARE THE RESULTS?

OMI won the Baldrige award. OMI turnover rate dropped over 50 percent, and is the lowest in its industry. The renewal rate for projects is the highest in the industry. Both customers and associates rate OMI high on satisfaction.

KEYS TO SUCCESS

- quality leadership that "walks the talk"
- living quality
- quality of business strategy (top down)
- obsessed with quality (bottom up)
- empower employees

PRACTICE # 5: PLANNING STRATEGICALLY TO RETAIN EMPLOYEES

SOCIAL SECURITY ADMINISTRATION (SSA)

SSA promotes the economic security of the nation's people. Ninety percent of working Americans are building against the reduction of income that comes with retirement, disability, or death. SSA manages the Social Security trust fund, and administers Security Supplemental Income that makes payments to the aged, blind, and disabled in financial need. SSA has 61,149 employees nationwide.

Charter dedicated staff.

This case study describes how SSA collects data on its workforce, gives information to senior leaders in a meaningful way, and plans to meet future retention challenges.

In a recent private-sector study on retention tools (Corporate Leadership Council, 1999), companies were encouraged to charter dedicated staff to analyze drivers of turnover and develop business cases based on data analysis. The study also emphasized looking at the reasons employees leave or intend to leave so the organization can direct its efforts at activities that make a difference (Ibid.) SSA is doing these things.

WHY? WHAT ARE THE DRIVERS?

Explosive workload increase.

SSA expects explosive increases in workloads over the next decade. Several key challenges drive SSA's action on workforce planning and retention:

- The number of SSA customers and claims will increase as the rising number of baby boomers reach retirement age and their peak disability-prone years. Beginning in 2008, the baby boomers will begin to retire in unprecedented numbers and over the next five years disability claims are expected to rise.
- SSA's workforce is aging. SSA projects that about 3,000 employees per year will leave in the period of 2006-2012.
- SSA has pressure to compete with both the public and private sectors in recruiting and retaining employees. (SSA Pub 31-231, 2000)
- Staffing will remain near its current level
- As GAO noted in a 1997 report, "SSA has acknowledged the importance of having skilled managers to prepare for the demands of heavier workloads, new technology, and expected changes in its employee and client base."

Key SSA challenges.

The SSA Office of Human Resources (OHR) knew about the impending "retirement wave", and began doing something about it. OHR collected and analyzed retirement statistics and other employment trend data. It realized that SSA managers and executives are accustomed to dealing with data. So, they sought meaningful ways to present the emerging employment picture to convey the urgency of the HR challenges of the future. Senior leaders were able to see the issues clearly, and responded by making workforce planning and support of employees top priorities in the agency vision and strategic plan.

All levels of employees are involved.

During interviews conducted at SSA by project team members, HR professionals continually emphasized the need to present clear and meaningful data to gain senior level support. They made a business case for change at SSA. Because workforce issues are key to SSA's continuing high levels of client service, the agency refocused some of the efforts of OHR's Office of Workforce Analysis to analyze employment data, conduct special studies, and benchmark innovative HR practices in the private and public sectors. During this same time, the headquarter's, Office of Personnel was also developing recruitment and retention strategies that put planning into action.

WHO IS INVOLVED?

At SSA, all levels of employees are involved in the process of transforming the workforce. Senior leaders, managers and supervisors, OHR, labor organizations, and employees have input into workforce planning issues. These same groups are involved in the development of the wide array of SSA quality of work life programs (QWL). In developing QWL programs, SSA canvassed 1,300 sites across the country and used surveys and focus groups to ensure that field staff was involved. OHR is actively involved "at the table" with senior leaders. The staff meets regularly with customers nationwide to expand the coverage of QWL programs across SSA.

HOW IS IT DONE?

SSA has taken a variety of approaches to deal with the "retirement wave" and the need to retain new hires.

Top Leader Support

HR issues are clearly an integral part of SSA's visioning and strategic planning processes. The commitment to HR is seen in four planning documents:

- Social Security 2010 Vision
- Social Security Strategic Plan
- Social Security Future Workforce Transition Plan
- *Social Security Performance and Accountability Report for Fiscal Year 2000*

Am employee-growth oriented and flexible work environment.

The Social Security 2010 Vision emphasizes three important perspectives: "our customers, our employees, and our work processes." The vision articulates an employee-growth-oriented and flexible work environment with leading-edge personnel practices. In the Social Security Performance and Accountability Report, several challenges are listed: working with union partners to retain the best skills, making use of the skills, employee training and development, executive development, work force diversity, and skills for tomorrow.

The Social Security Future Workforce Transition Plan includes:

- what SSA expects to happen over the next five years
- what the effects will be on workforce needs
- what actions will be taken to transition to the future workforce

SSA is thinking further into the future than it has before about the workforce it needs and wants. And, it is planning based on data. SSA is communicating the vision and strategies in published documents for all employees to see.

Workforce Planning

In order to develop a strategy for retaining high-performing employees, SSA knew it had to gather the facts about what was happening with retirements and other potential loses in key occupational areas.

Collecting and Analyzing the Data: SSA began its process by analyzing potential retirements over a five-year period. It soon realized that it needed to look beyond that demographic of eligibility. It needed to examine how many employees it expected would actually retire. SSA looked at historical data over a 10-year period to determine how many eligible employees had left the agency on regular retirement. It found that the average voluntary retirement age was 61. OHR developed a model for projecting how many employees would retire in the future based upon these historical patterns.

Next, the agency focused on predicting who, where, and when employees would retire. Its projections showed the peak of retirements would occur in the years 2007-2009, with about 3,000 employees retiring each year. That was compared to 851 from 1990-99. It compiled data for SSA nationwide, for organizational components and for regions. SSA also looked at the potential impact on diversity, and further analyzed the trends for key positions. SSA found about 66 percent of supervisors, 45 percent of claims representatives and 48 percent of computer specialists were projected to retire during the peak period. OHR later validated the model by comparing actual retirements with the projections. It found the model was a good predictor.

Developed a retirement prediction model.

Next, SSA mapped out the projected flow of new hires into key positions, and the movement of employees through those positions. The agency is continuing to expand the analysis to gain a more complete picture of attrition. It is tracking voluntary, disability, and other types of retirement, and separations such as resignations, terminations, deaths, and transfers. SSA is also beginning to track the retention rates of new hires to determine how best to integrate new people into the organization.

Initial Retention Strategies Based on the Data: Flattening the retirement wave was a by-product of redistributing staff to direct service positions. During the 1980s, SSA, like many other government agencies was under varying forms of a hiring freeze or restriction. Frontline, direct service occupations experienced many losses during that time. SSA implemented early out retirements in order to replace employees lost to normal attrition and early retirements in direct service

and staff jobs with new hires in direct service positions. SSA's *initial strategy during the late 1990s and 2000* was to "flatten the retirement wave" to the fullest extent possible. A key objective was to have an experienced workforce in place by 2007 during the peak retirement years. To mitigate the effect of the projected peak, SSA sought to influence retirement behavior to flatten the wave. SSA made a very difficult choice: accelerate retirements. Over the last four years, SSA offered early retirements. About five percent of the eligible employees took advantage. The early retirements significantly raised the total number of retirements, accounting for as many as 50.5 percent of all retirements during 1999, for example.

Began investing in PMIs.

The early out program contributed to SSA's ability to hire 4,000 new people over a two-year period. Last year, SSA hired 3,500 people, which was more than the number of employees who retired. They were able to replace employees who would have retired during the peak years. In addition, they were able to bring in new workers with increased technology skills. Without the early retirements, SSA's projections show that 30 percent of its employees would be in trainee status in the years 2007-2009. (It takes about three years of training to develop an experienced employee.) In addition, to help provide a pool of highly educated and trained employees to assume future agency leadership roles, SSA began investing in the Presidential Management Intern Program. The agency is one of the largest users of the program, having hired 134 interns over the last four years.

In choosing this strategy, SSA faced workload challenges today. However, to them a future, with high rates of retirement and potentially fewer people to train new hires, looked far worse (Workforce Planning at the Social Security Administration, 2000).

Career Development Programs:

Enhance career development.

In addition to flattening the retirement wave, SSA included enhancing the effectiveness of career development and technology-based training methods as strategies to prepare the future workforce. Since its predicted losses were high for executives and managers, it decided to accelerate the announcements and double the size of classes in the SSA National Leadership Development courses: the Senior Executive Service (SES) Candidate Development Program for GS-15 employees; the Advanced Leadership Program for employees, grades 13-14; and the Leadership Development Program for employees in grades 9-12. These programs use the Office of Personnel Management Leadership competencies with added SSA job specific competencies.

SSA revitalized its training and development for incumbent managers. All supervisors and managers at SSA have participated in Leadership Seminars, originally conducted by the Maxwell School, Syracuse University. These seminars are aimed at preparing managers for the leadership challenges of the future, and are now a formal part of each manager's continuing development. One third of managers receive an additional training experience each year.

In order to create seamless job transition, SSA created development programs aimed at individuals filling in behind employees who advance to management and leadership positions. Components and regions have established a series of development and job enrichment programs to build the skills of employees (Appendix E). In addition, SSA is now piloting the deployment of 17 core competencies for

all SSA employees. These competencies were developed by groups of supervisors, employees, and the labor unions. The agency is also testing online leadership and core competency assessment tools. These tools are automatically programmed to provide feedback and hot links to training sources.

SSA established an Interactive Video Teletraining system that allows real-time interaction between students and instructors. It has six broadcast studios and almost 915 downlinks, with more planned. It broadcasts entry-level training, in-service training, and management and general skills training. SSA also has a variety of self-study courses available over its Intranet. Courses are available in business communication, time management, office automation, and SSA program areas.

Interactive video teletraining.

Organizational Culture Project

One of the SSA strategic objectives was "to promote an agency culture that successfully incorporates our values." SSA wants its employees to understand its organizational culture for the following reasons:

- strong correlation between organization culture and performance
- ignoring the culture can derail new ideas
- knowing the culture helps managers select people who are good "fits" (Organizational Culture Project, 2000)

An agency culture that successfully incorporates SSA values.

SSA decided to find out what values and workplace issues are important. Teams conducted individual and group interviews with 1,000 employees and managers in six regions and all headquarters components. They used the results of the interviews to develop a culture survey, covering the key areas of workplace practices, values, and work climate. They asked employees to respond to 67 questions by marking the extent to which the practice now exists and how important the practice is to them. Some employees also provided written comments. SSA was aiming to find the gap between what the culture currently is and what employees believe it should be. SSA used the survey results to make recommendations to the commissioner. Those recommendations are still pending a new commissioner and will not be included in this report.

Interestingly, the smallest gap between the current culture and importance in the employee view was "I am able to explain SSA's mission." The largest gap was on the appraisal system. Highest rated practices were observance of zero tolerance for fraud and abuse, and knowing what's expected at work.

Culture survey.

Included in Appendix E are "Questions and Answers on Organizational Culture" and the SSA Culture Survey.

Quality of Work/Life Programs

SSA has a variety of programs that provide a family friendly environment.

Family Friendly Policies:

- part-time employment
- job sharing (two employees have a need for reduced tours of duty)
- job splitting (one full-time position staffed by two employees of same or different grade depending on the duties assigned)
- job pairing (position shared by two part-time employees, both of whom are responsible for the full range of duties)
- alternate work schedules (flexitime, compressed work schedules, and credit hours)

Career/Life Resource Center.

Financial Counseling Center: Financial information and guidance on a wide range of topics through seminars and individual consulting by financial experts. (Not available throughout SSA)

Onsite Child Care : In addition to child care, the center provides workshops on parenting issues. (Not available throughout SSA)

Elder Care : Information on community organizations, services, and referrals. Broadcasts and workshops on elder care issues, newsletter, and hotline.

Fitness/Wellness : Fitness programs and equipment, health educations, and fitness assessments. (Not available throughout SSA)

Information and guidance.

Career/Life Resource Center : Career counseling and assessment of employee abilities; information on work, leisure, and family concerns; assessment tools; assistance with individual development plans and resumes; help in identifying resources for achieving goals; computer stations for information, books, and magazines focused on career and life issues. (Not available throughout SSA)

WHAT ARE THE RESULTS?

OHR made the business case for key retention strategies. Senior leaders support the long-range strategies, like retirement flattening, investment in career development, distance learning strategies, and quality of work/life programs.

Retirements have not exceeded their predictions, demonstrating that the agency's model gives good indicators of the future. SSA is hiring more people than they are losing.

KEYS TO SUCCESS

- support of top management
- using data analysis to plan strategies
- using data to make difficult decisions
- asking the hard questions about organization culture and not being afraid of the answers
- putting the resources into workforce planning as evidenced through the creation of a special Office of Workforce Analysis

PRACTICE # 6: CREATING HIGH-QUALITY WORK LIFE PROGRAMS

DEPARTMENT OF HEALTH AND HUMAN SERVICES (HHS)

HHS is the U.S. government's principal agency for protecting the health of all Americans and providing essential human services, especially to those who are least able to help themselves. HHS is the largest grant-making agency in the federal government, providing some 60,000 grants per year. Key programs include: medical and social science research, preventing outbreak of infectious disease, assuring food and drug safety, Medicare, financial assistance for low income families, Head Start, substance abuse treatment and prevention, services for older Americans, and health services for Native Americans.

Improve quality of work life programs

This case study highlights the retention factor of work-life balance and work environment. It profiles actions taken at HHS headquarters and at two operating divisions, the Food and Drug Administration and the Agency for Healthcare Research and Quality, to improve the quality of work life programs (QWL). These two organizations are representative of the department, although most operating divisions have similar programs. The headquarters was a catalyst for improving QWL programs within the department. Operating divisions experimented and ultimately developed an array of programs for their organizations. By giving employees more flexibility to meet personal obligations, HHS found it could maintain productivity and keep the talent it wanted. (Kaye, 1999).

Employees are our most valuable resource.

WHY? WHAT ARE THE DRIVERS?

On December 23,1996, the HHS secretary issued a quality of work life strategy in response to concerns about employee morale, commitment, and motivation because of a series of government furloughs and a period of turmoil and change in 1995 and 1996. The Quality of Work Life Strategy had three objectives: improve employee satisfaction, strengthen workplace learning, and better manage on-going change and transition. In issuing the strategy the secretary said, "Our employees are our most valuable resource and a major reason for our success. We need their dedication, commitment, and creativity now more than ever."

QWL Strategy

- *improve employee satisfaction*
- *strengthen workplace learning*
- *manage change and transition better*

The secretary asked each operating division to submit their own QWL strategy within 60 days to accomplish the following:

- improve communication with employees
- strengthen family-friendly program
- provide all employees Internet access by the end of calendar year 1997
- increase investment in workplace learning
- evaluate the effectiveness of diversity management practices
- better plan and manage change and transition

WHO IS INVOLVED?

The secretary and deputy secretary held town hall meetings both in headquarters and the field, and communicated with employees via satellite and video tape. They

also held meetings with top leaders in the operating divisions, and asked them to meet with their employees to communicate the goals of the QWL initiative.

Partnership Council steers.

The secretary asked the HHS Union-Management Partnership Council to serve as the steering group for the implementation of the Quality of Work Life Strategy. The Partnership Council was charged to monitor results through employee surveys. The secretary requested that they report to her at least annually on the status of the QWL of HHS employees.

As the readers will note in the case studies of the two operating divisions, employees were involved through surveys, focus groups, and town hall meetings.

How Is It Done?

The HRMI survey of employee views.

In January 1997, HHS used a Human Resources Management Index to assess employee views on the QWL and organizational effectiveness to establish a baseline. HHS repeated the surveys in 1998, 1999, and 2000. Results show improvement in employee satisfaction each year. Surveys also showed where improvements in the work environment are still needed.

As mentioned above, the secretary wanted each operating division to develop strategies for QWL. These strategies were incorporated into QWL plans. The Partnership Council reviews QWL plans from the operating divisions and provides comments on strengthening the plans. They do not approve the plans, but "bless" them. The plans are then sent to the secretary for approval. In the beginning of the QWL initiative, top leaders of the operating divisions met monthly with the Partnership Council to determine how it was going. Each year, the Partnership Council and HHS top leaders use the survey results to determine how to improve. Top leaders share the survey results with their own organizations as the way to plan for the following year. As indicated above, the Partnership Council submits an annual report on the status of QWL that includes accomplishment among the operating divisions and the headquarters.

QWL and diversity.

The secretary held a conference on diversity to develop a vision and recommendations for making diversity a source of performance excellence. Using Appreciative Inquiry, the Diversity Steering Committee and conference participants collected information about times when HHS was at its best and diversity was a factor in excellence. Conference participants used this information to develop recommendations that were approved by the secretary. Operating divisions are using the recommendations in their QWL plans because they know that effective QWL programs and a supportive work environment advance the retention of a diverse workforce (Office of Personnel Management, 2000).

The Office of the Assistant Secretary for Management and Budget (ASMB) has supported the operating divisions in the process of improving QWL. The secretary charged the ASMB with developing the Quality of Work Life Strategy and with the responsibility for commissioning the employee surveys. ASMB also took the following actions to further support the QWL initiative:

- ASMB managed a centralized budget for some of the activities of the QWL initiative to gain savings through economy of scale. Operating divisions were tapped to provide funding for this budget.

- ASMB established a QWL section on the HHS web site. The site provides considerable information to assist employees, both in headquarters and the field, in finding resources for dependent care, and it provides the HHS policy on flexible work arrangements. It also lists seminars for balancing work and personal life.

A model work/life center.

- In a joint effort by the ASMB and the Program Support Center, HHS opened a model Work/Life Center primarily to serve employees in the Washington, D.C. area. The Center offers three core programs: an Employee Assistance Program that provides professional counseling; a Career Management Program that provides career counseling and resources; and the Work and Family Program that provides information, referral; and support on balancing work-life issues. The Center also offers a workplace violence prevention line and childcare tuition assistance. Innovative features include a stress lab, and a pilot test of career development software available to headquarters and regional employees.

- ASMB has sponsored several Quality of Work Life Week celebrations. The department celebrates its accomplishments and honors employees throughout the week. Many activities are broadcast via satellite to the field.

A Learning Technology Working Group, with representatives from all operating divisions, guided the development of a distributed learning strategy to make educational information and performance support available wherever and whenever needed. Two thousand employees participated in a pilot project to evaluate web-based training. 7,500 employees began using the HHS Learning Portal on the internet in January 2001 to take web-based courses. HHS will have a phased approach with 10,000 employees being on the system by the end of FY 2001; 20,000 employees next year; and 40,000 the following year.

A phased approach to distributed learning.

WHAT ARE THE RESULTS?

Employee satisfaction has risen since HHS began the survey process. HHS has obtained funding for QWL programs in its appropriation. In addition, it has received the Office of Personnel Management Director's Award for the QWL Program and the Society for Labor Relations Professionals, award for innovation in partnership.

Some Lessons Learned

- difficult to push the initiative out to the field
- more work needed on improving the quality of supervision
- difficult to share and to replicate best practices

KEYS TO SUCCESS

- HHS Union-Management Partnership Council steered the process.
- implementation went faster and more smoothly with both employee and management involvement in the process.
- highly visible top leadership supported
- communicate broadly: town hall meetings, focus groups, surveys
- top leaders held accountable for outcomes
- flexible policies allowed creativity and innovation within the department's operating divisions
- stay out of the way and let the operating divisions innovate
- survey employees and use survey results to identify critical workplace issues
- recognize the QWL improvements result in better performance and productivity

PRACTICE # 7: PROMOTING A FLEXIBLE WORK ENVIRONMENT

FOOD AND DRUG ADMINISTRATION (FDA)
DEPARTMENT OF HEALTH AND HUMAN SERVICES

FDA is an operating division within the Department of Health and Human Services with 9,000 employees. FDA assures the safety of foods and cosmetics, and the safety and efficacy of pharmaceuticals, biological products, and medical devices. FDA-regulated products account for about 25 cents of every consumer dollar spent in the United States.

Developed trust in its employees.

This case study highlights the retention factor of work environment. It describes how FDA developed trust in its employees and created an effective flexible work environment. The issue of trust is a key ingredient in the relationship between management and the employee. When people trust each other, they cooperate and can work together more smoothly to meet the goals of the organization. FDA views the three dimensions of trust as credibility, respect, and fairness. (Levering, 1994)

WHY? WHAT ARE THE DRIVERS?

Retention challenges are a major driver.

Top leaders at FDA readily embraced the HHS secretary's initiatives for improving QWL, and supported departmental objectives. However, FDA leaders had long been proponents of employee involvement and inclusion. They were also aware of the tremendous changes in applied science, information and knowledge technology, growing stakeholder power, and the global economy that impact FDA's mission, its government role, and its workforce. Top leaders knew they faced challenges in retaining their high-quality workforce.

FDA has a very clear mission concerning public health and safety. It has a highly educated workforce with about 80 percent of the staff in scientific or medical occupations. Knowing that they have a highly motivated staff, FDA top leaders committed themselves to building a climate of trust in employees to give them more autonomy and empowerment. They focused on the 99 percent of employees who

are dedicated, not dwelling on the one percent who are not. This organizational value is reflected in the changes FDA made.

FDA chose four areas to emphasize:

- learning organization
- communications
- work and family programs
- appreciating diversity

WHO IS INVOLVED?

Steering committees for each new program.

FDA top leaders supported the initiatives on QWL, and supported the inclusion of employees in the process. For each of the new programs, steering committees comprised of representatives of headquarters and its seven centers were created to guide the gathering of employee feedback and the development of policies and programs. The steering committees used a variety of information gathering techniques, such as using benchmarking groups to survey best practices in both the private and public sectors; surveying all 9,000 employees to determine their needs, and using focus groups representing a cross-section of employees, to get more detailed and specific feedback. Some of these focus groups included FDA retirees as a source of information.

All of the information gathered from these sources was shared with administrative officers, HR officers, and the various program steering committees, and then incorporated into the program development.

In the beginning of the process, FDA did not have a labor union. In 1998, the National Treasury Employees Union (NTEU) was elected at FDA to represent FDA employees. Top leaders entered into a partnership with NTEU. They included NTEU in pre-decisional meetings, and ensured staff had training in Interest-Based Bargaining. Close cooperation with NTEU continues.

HOW IS IT DONE?

Policies

- *simple*
- *easy to undertand*
- *automated*

FDA decided to re-write many of its HR policies to reflect the organizational value of trust in employees, and to create a flexible and satisfying work environment. To enhance communications, the guidelines for writing policies called for making policies simple, easy to understand, and as automated as possible.

Performance Management Program

FDA took advantage of flexibilities allowed under Title 5 U.S. Code and developed a new Performance Management Program (PMP and a new Performance Evaluation Plan (PEP) form). FDA took advantage of flexibilities allowed under Title 5. To simplify the process, FDA defined a menu of nine standard elements: six basic employee elements, and three basic supervisory elements. They also included a number of performance measures for each element. Supervisors may chose among the elements and the measures pre-printed on the PEP form. Or, they may use blank spaces on the form to individualize elements and measures accord-

ing to specific assignments. FDA found that most supervisors use the standard elements and measures because they are given a range of choices.

Interestingly, FDA's policy does not include a section on poor performance. Instead, there is an appendix that provides information to the supervisor on Performance Improvement Plans. Focus is placed upon encouraging communication between supervisors and employees and emphasizing that employees are hired to do a good job. FDA also delinked cash awards from performance awards to encourage more awards throughout the year.

FDA involved both managers and employees in developing the PMP. This communication and participation paid off in gaining wide spread buy-in for the new process. There have been no grievances on the program since the PMP was implemented.

Managers approve awards of $2,500.

Recognition and Awards Program

Just as they had done with PMP, FDA developed a new Reward and Recognition Program policy. This policy gives managers wide discretion, and demonstrates trust in managerial decision-making. Managers have the authority to approve awards up to $2,500 immediately from an award pool given to them. They approve the awards on a simple-to-use form with a justification of 25 words or less. Managers can also give time off awards. Awards over $2,500 go to the Office of Human Resources and Management for approval by the FDA Commissioner.

In addition to cash and time off awards, FDA uses informal recognition awards of nominal value ($100 or less). Informal recognition awards are purchased by organizations from their awards budget. Managers are encouraged to be creative and fun in giving these awards. Gift certificates are one type of award they can use. FDA found they are spending less money, but are giving more awards. The Recognition and Awards policy is included in Appendix F.

Quality of Work Life Program

FDA regularly seeks new ways to improve QWL. It has on-site childcare and childcare subsidies, transit subsidies, an e-mail suggestion system, rewards for saving on travel expenses, and health fairs, seminars, and other activities for Quality of Work Life Month. FDA has a Flexible Workplace Arrangement Program. Under this program, about 16 percent of the employees work at home at least one day during each pay-period. Employees may work at home or at telecommuting work centers where FDA has agreements with the General Services Administration.

"Any 80" work schedule.

FDA's alternative work schedule program is a maxiflex work schedule that allows a wide array of scheduling options. These options provide the opportunity to schedule work around family obligations and personal needs, and can reduce overtime. FDA calls their program "Any 80." In reviewing Title 5 and Office of Personnel Management requirements, FDA found that agencies have a great deal of flexibility, with only a minimum number of core hours required. FDA employees, with supervisory and managerial approval, can work any 80 hours during the pay period. Employees must work minimum core hours from 10:00 am to 12 Noon on Wednesdays. This gives greater flexibility to certain occupations, such as

lab scientists and plant inspectors. Some jobs may require specific work hours and may not have the same wide array of options. FDA issued substantial guidance to supervisors and employees on how to use the maxiflex schedule.

FDA continues to involve all employees in setting priorities for QWL issues. It established an "Enhanced Communication" QWL Team with more than 50 employees from headquarters and the field. The QWL Matrix in Appendix F shows the input of employees in the four emphasis areas mentioned in the beginning of the case study and the sources of input. The Partnership Council used this matrix to select the top five priorities for the next year: more use of maxiflex; mentoring; details, job exchanges, and cross training; leadership development and supervisory training, and increased communication from top to bottom.

To collect information on positive communication, FDA used a storytelling device. Storytelling is a way for people to better relate their experiences and the feeling behind those experiences.

Employees involved in setting QWL priorities.

Management Excellence Training

FDA has an active management and supervisory program entitled FAME (Formula for Achieving Managerial Excellence). FAME offers programs designed to help team leaders and supervisors sharpen their leadership skills. This program also addresses general concerns about effective management and supervision that were identified in HHS organizational effectiveness surveys. In addition, FDA operates a yearlong Leadership Development Program, based on the adult learning model and offering various rotational assignments and other learning opportunities. FDA also created the FDA Transition Model based on the work of William Bridges to help managers and employees process change and transition effectively. This program, in which 351 FDA employees have participated, helps team leaders sharpen their leadership skills. In addition, 15 people have participated in the year-long Leadership Development Program. FDA also implemented the FDA Transition Management Model, based on the work of William Bridges, to help managers and employees process change and transition effectively.

Diversity

FDA initiated a project, "Appreciating Diversity," that explored the meaning and impact of diversity on management practices. It held seminars with prominent guest speakers. Employees in positions at GS-14 and above participated in sessions with facilitators on coaching, mentoring, and valuing differences in people.

To strengthen diversity management programs, FDA administered an agency-wide employee survey on Hispanic (underrepresented at FDA) issues. A Hispanic recruitment and retention workgroup has completed an action plan to address specific issues of Hispanic employment.

Strategic Workforce Planning

FDA is beginning to integrate workforce planning into the agency's strategic planning process. In January 2001, FDA prepared a plan that provides a wide range of actions for recruitment, development and retention from both the private and public sectors. The planned actions will provide FDA offices and centers with an array

of practices to choose from to keep improving the FDA work environment. Some examples of the practices include: building a corporate university, expanding the technical promotion track, providing periodic time off to pursue personal development, expanding alternatives to retirement, and using alumni groups of former FDA employees.

WHAT ARE THE RESULTS?

In the recent Government-wide Employee Survey of 49 federal agencies, FDA rated highest in employee satisfaction. Seventy-two per cent of FDA employees said they were satisfied with their jobs, compared to 63 percent government-wide. Eleven percent of FDA employees said they were neutral, and 17 percent rated their jobs unfavorable. Government-wide responses were 14 percent neutral and 23 percent gave a negative response. Fifty-three percent of FDA employees said they were rewarded for working on teams, compared with 40 percent government-wide. Sixty-five percent of FDA employees agreed they receive the training they need, while 56 percent government wide agreed. FDA has clearly worked hard to create a positive QWL for its employees.

KEYS TO SUCCESS

- top leaders involved and demonstrate they trust managers and employees
- communicate, communicate, communicate
- large numbers of managers, employees, and the labor union involved in the setting of priorities and development of programs and policies
- policies and processes simple and easy to understand/use
- find the flexibilities in Title 5 and government regulations
- regularly seek ways to improve QWL

PRACTICE # 8: USING EMPLOYEE FEEDBACK TO IMPROVE COMMUNICATION AND SHARE DECISION-MAKING

AGENCY FOR HEALTHCARE RESEARCH AND QUALITY (AHRQ)
DEPARTMENT OF HEALTH AND HUMAN SERVICES

AHRQ is an operating division within the Department of Health and Human Services with 200 employees. The agency supports crosscutting research on health care systems, healthcare quality and cost issues, and effective medical treatments.

AHRQ has committed itself to a process of creating an environment to improve communications throughout the organization and to share decision-making. For AHRQ, Quality of Work/Life (QWL) is not an initiative. It is a way of doing business. This case study shows how AHRQ changed its environment by: asking, listening, sharing and acting.

WHY? WHAT ARE THE DRIVERS?

In March 1997, AHRQ was next to the lowest scoring organization on the HHS HRM Index. AHRQ was not satisfied with the Index feedback. The administrator

at that time and the senior staff committed themselves to improving the quality of work/life at AHRQ. They took the survey results seriously, knowing they could do better. Since that first year, AHQR has improved its HRM, Index so much that it now leads HHS in satisfaction with quality of work life. Even more importantly, the current Director believes the organization has created an environment that leads to greater productivity, and a culture that values open communication and shared decision-making.

WHO IS INVOLVED?

In the fall of 1997, senior leaders commissioned focus groups of employees to determine the causes of low satisfaction. They brought in an outside contractor to work with the focus groups. AHRQ invited all employees to participate, although not all employees ultimately did. From these focus groups, the contractor captured a variety of perspectives from all segments of the AHRQ staff. The contractor then prepared a report for the agency. The report, except for personal comments, was distributed to all employees. The report was honest about the causes of dissatisfaction in the AHRQ environment. In sharing this frank report with all employees, senior leaders signaled they were committed to the change process.

All employees invited to participate.

Comments from the report were grouped into four broad categories:

- rewards, evaluation, and recognition
- enhanced communication
- shared decision-making and management
- planning and resources (improving strategic planning to better forecast cycles of research, adequate staffing, available technical and physical resources)

HOW IS IT DONE?

In the spring of 1998, the administrator asked "What can we do about the employee comments?" He formed taskforces around the four categories, and met frequently with employees as they worked on the issues. AHRQ assigned coaches to help the self-directed teams. The employees developed a series of recommendations centered upon each major issue. The employees presented their recommendations to senior leaders who expanded the number of QWL flexibilities within the organization. AHRQ began allowing telecommuting and alternative work schedules, and placed more emphasis on workplace learning.

Open and frank communications about results.

Senior leaders held town hall meetings to communicate with employees on the results of the task force recommendations. They acted on the major taskforce recommendations, and moved forward on segments of other recommendations. For reasons of resources and priority, the senior leaders could not act on every recommendation. However, they responded to all recommendations, and explained openly why they did not implement some suggested activities.

QWL, a Continuing Process

The key to AHRQ success is the process, not just specific actions. AHRQ executives included large numbers of employees in the decision-making process, and

they had open and frank communication with all employees about the results. Furthermore, senior leaders followed-through on every recommendation to which they agreed. They kept their promises.

No one-time fix.

The AHRQ story does not end here with a one-time "fix" to the problem of a low HRM index. Every year, AHRQ shares the index feedback with employees in an open forum. Senior leaders discuss the feedback and invite employees to volunteer to work on critical issues. They use the index to determine the quality of work life issues within the organization, and to identify ways to deal with those issues on a continuing basis. The leaders continue to follow-up on actions to which they have committed.

AHRQ changed its environment in other ways. The director (no longer titled administrator) holds managers accountable for finding ways to enhance communication with employees and to involve employees in decision-making. Following are examples of ways in which AHRQ incorporated these values into its culture:

- hired a contractor ("Ombuds" discussed below) to improve communication within the organization
- had employees serve on the search committee for hiring the Ombuds
- send most operating policies to all employees for comment, not just employees directly involved
- asked managers who has seen the policy, and what they have done to ensure that a variety of perspectives have informed their decisions
- asked employees what they need to make the "roll out" successful when installing new computer equipment or software
- involve employees with the plans for a new building (Facilities staff conducted a town hall meeting to ask employees what they wanted in a new facility. AHRQ is using these issues in locating the new space. AHRQ plans to accommodate as many suggestions as possible)
- holds frequent all-hands meetings with employees
- has added an open-ended question to the annual HRM Index. (As AHRQ, it would make the greatest difference to the quality of work life if the agency would - - - - -.)
- integrate QWL with other key issues, such as workforce planning, into the strategic goals of the agency

Creation of an ombudsman.

AHRQ OMBUDS

As a result of the 1997 HRM Index Survey, issues of communication, trust, teamwork, and organizational structure were identified. One of the recommendations of the AHRQ task forces was the creation of an ombudsman (Appendix G).

The AHRQ ombuds is an independent contractor who focuses on improving communication within the organization. The ombuds assists employees in discussing and resolving work-related issues that affect productivity, quality of work life, and the advancement of the AHRQ mission. The ombuds is not a part of any office, does not take sides, and maintains confidentiality. All employees have access to the

ombuds. The ombuds has the flexibility to move about the agency, to find issues, and to take them to the appropriate officials.

What Does the Ombuds Do?

- hear complaints, problems, issues and stories
- help people candidly discuss concerns and explore options
- serve as a neutral third party in conflict resolution
- creates access to appropriate information and open channels of communication
- coaches and facilitates meetings
- coached individuals at all levels on organization behavior and communication strategies
- conducts training in conflict resolution and interpersonal communications
- advocates constructive communication of all employees

Results of Ombuds Program

- Managers are improving the frequency and the variety of communication they are using with employees.
- In a survey one-year after the beginning of the ombuds program, managers and employees were highly satisfied with the neutrality, confidentiality, and the open communication.

Workplace Learning

Tripled investment in workplace learning.

After benchmarking against the best in business, AHRQ tripled its investment in workplace learning. According to the American Society for Training and Development, "best" companies spend an average of $1,375 per employee. In 1998, AHRQ spent about $1,500 per employee.

WHAT ARE THE RESULTS?

AHRQ senior leaders and managers learned to communicate and share decision-making with their employees to improve the quality of work life. They learned the following lesson:

- ask employees the hard questions and have the courage to get their answers
- listen to employees and understand what they have to say
- share information with employees
- act by doing what you say you will do

KEYS TO SUCCESS

- director supports the quality of work life culture
- AHRQ values open communication and shared decision-making
- all levels are accountable for communications and shared decision-making
- ombuds enhances the confidentiality and neutrality of communication
- AHRQ goes beyond the satisfaction survey and asks employees for specific feedback

PRACTICE # 9: BUILDING A HIGH QUALITY WORKFORCE THROUGH CORE COMPETENCIES

VETERANS HEALTH ADMINISTRATION (VHA)
DEPARTMENT OF VETERANS AFFAIRS (VA)

VA administers laws providing benefits to veterans and their dependents and the beneficiaries of veterans. VA ensures veterans receive medical care, benefits, social support, and lasting memorials. VHA manages one of the largest health care systems in the United States with more than 173 medical centers nationwide, 771 ambulatory care and community-based clinics, 134 nursing homes, 43 domicilaries, and 206 readjustment counseling centers. VHA is the largest provider of graduate medical education and one of the nation's largest medical research organizations. VHA is organized geographically into 22 Veterans Integrated Service Networks. Medical centers, clinics, nursing homes, domicilaries, and counseling centers work together within a "Network" to provide health care to veterans.

VHA uses core competencies for managing change and continuous learning.

This successful practice highlights the retention factor of work environment. It demonstrates how VHA uses core competencies for managing change and continuous learning. The core competencies describe the employee behaviors that VHA needs now and in the future to build a quality organization. VHA headquarters provided leadership, plus financial incentives, for creating change within the organization. The two networks profiled in the case study developed innovative approaches unique to their organizations to implement the core competencies and to provide greater opportunities for employee learning.

WHY? WHAT ARE THE DRIVERS?

In 1996, the Director of the Career Track Subcommittee began a review of the Medical Center Career Track and executive succession. During this time, VHA was undergoing massive changes in the delivery of medical care to veterans with the reality that a new culture and new organization were needed. The subcommittee compared the past and future VHA organization and culture, as shown in Figure 3. With this information and the context of the under secretary for health's Vision and Prescription for Change, the subcommittee did a literature search and visited large national and international organizations to learn about leadership development. In a report to the under secretary, the subcommittee concluded that a new model was needed for leadership development. It determined that the current narrowly focused, discipline-based system did not meet the needs of a rapidly changing VHA, nor the needs of employees. VHA also wanted to become an "Employer of Choice."

The subcommittee recommended a new model for career and leadership development in which VHA would manage continuous learning, change, and improvement by enhancing the skills of all employees. VHA would develop high performers early in their careers, and give them multiple ways to grow (VHA).

FIGURE 3:VHA ORGANIZATION AND CULTURE

VHA changed from a narrowly focused, discipline-based system to a multidisciplinary development model. VHA needed to target and develop high performers early in their careers. Below are some of the organizational drivers for the High Performance Development Model.

PAST	PRESENT/FUTURE
Historic, military-type hierarchical organization structure replicated at every medical center and headquarters	Flatter organization structure that differs from medical center to medical center, and the headquarters. Includes product lines, self-directed work teams, and greater percentage of the staff involved in patient care
Headquarters heavily involved in operational issues	Headquarters focused on strategic planning and corporate quality. Operational focus decentralized to 22 Networks
Hospital system	Healthcare system
Rewarded managers who "supervise" people; were expected to know all the answers; had internal focus and managed schedules/work	Rewards leaders who create new organizations and facilitate rapid change; are externally and customer focused; create learning organization; coach/mentor; accountable for their decisions, performance and behavior
Narrowly structured career tracks; "service silos"; limited opportunity and expectation of life-long employment	Promotion based on performance; broad career development; organization aligned around core competencies and expectation of life-long employability

Labor organizations were partners.

WHO IS INVOLVED?

Subsequent sections of this case study, describe how VHA involves all levels of employees, from executive to front-line, in developing and implementing the core competencies. Labor organizations were partners in the process of rolling out and implementing the model.

HOW IS IT DONE?

The subcommittee integrated these findings into the High Performance Development Model (HPDM). The model consists of eight core competencies in four levels, and has six "tracks" for implementation of the competencies (Appendix H).

The HPDM core competencies are used to select new employees, develop training, and serve as the basis for promotion decisions. They are as follows:

- interpersonal effectiveness
- customer service
- systems thinking
- creative thinking
- personal mastery

- organizational stewardship
- flexibility and adaptability
- technical skills

To implement HPDM, VHA developed six key components or "tracks." These tracks were designed to focus on different ways in which to build the current and future workforce. The six tracks are as follows:

Six key components or tracks.

- Core Competency Development: Focus on how employees will develop the core competencies.

- Continuous Learning: Focus on expanding education far from just the classroom or workshop. Learning occurs while watching someone perform a task; through trial and error; in open discussion with colleagues; through team analysis of successes and failures, and a variety of other ways in the workplace.

- Continuous Assessment: Focus on providing employee feedback on strengths and opportunities for growth. May include 360-degree assessments, career assessments, etc. Supervisors are expected to give ongoing feedback.

- Coaching and Mentoring: Focus changes the supervisor's role from oversight and control to one of encouragement and development. Sends message that employee learning and growth is supported. Also involves creating job rotations, team assignments, and other situations where learning occurs in the context of ongoing work.

- Performance Management: Focus on measuring key activities, evaluating organizational and individual performance, and rewards successful outcomes.

- Performance Based Interviewing: Focus on selection tool that uses the core competencies to emphasize demonstrated work experience.

From the beginning, VHA headquarters knew that rolling out HPDM with a national, mandated curriculum would never work in an organization with 180,000 diverse employees. Headquarters tied the HPDM program to VHA's strategic goal of becoming an employer of choice instead of making HPDM a program separate from activities in which Networks were already engaged. They used three strategies that readers of this practice may find interesting.

HPDM Summit

First of all, VHA Headquarters needed to ensure that the Networks understood the purposes of HPDM, the core competencies and the tracks. VHA sponsored a summit on HPDM. A steering committee of senior leaders from around VA planned the summit and took the lead over six "track" teams: Continuous Learning,

Continuous Assessment, Performance Based Interviewing, Coaching and Mentoring, Performance Management, and Competency Development. Each of the 21 Networks and VHA Headquarters sent a team of six people, one of which was a labor representative. One member of each team was assigned to each track requiring each team member to become the "expert" in their track and to share information with their teammates. The summit consisted of a large group setting where skits, videos, and songs, depicted the tracks, and then smaller groups where in-depth information about the tracks was shared. Each track had its own uniquely colored T-shirt. On the last day, individual network and headquarters teams met to plan how they would implement the HPDM tracks using the core competencies when they returned home and presented these plans to their senior executive. VHA had planted "seeds" for the implementation of HPDM.

FIGURE 3: THE HIGH-PERFORMANCE DEVELOPMENT MODEL

HPDM Grant Program

The VA under secretary of health was willing to put funding toward the implementation of HPDM. VHA offered a grant program to encourage full development of HPDM in the networks. Under the grant program, each network could apply for matching funds up to $25,000 to be used to implement HPDM. Networks had to prepare a business case for the grant. They had to describe how the funds were to be used, how they would measure outcomes, and how they would address return on investment and becoming an "employer of choice."

Funding to help.

HPDM Award Program

VHA offered national HPDM awards for the years 2000, 2001, and 2002, recognizing exceptional performance for the 12-month period ending April 30 each year. There were two categories. The "Comprehensive Category" award was $150,000 to the network that achieved the most success in the implementation of all six tracks of the HPDM. The "Focused Category" award was $75,000 to the three Networks who demonstrated superior implementation of one track of the model.

WHAT ARE THE RESULTS?

Most of the networks have implemented HPDM. Some of them have developed very comprehensive and creative approaches to learning and the development of their staff. Two are profiled here. One was the 2000 award winner in the "Comprehensive Category" and the other received an honorable mention.

KEYS TO SUCCESS

- top leadership support
- budget allocated to support implementation
- integrated into strategic objectives; not a separate program
- process champions: under secretary for health and network directors

CENTRAL PLAINS HEALTH NETWORK
VETERAN INTEGRATED SERVICE NETWORK 14

Network 14 is the winner of the 2000 Comprehensive Category Award for implementation of all six tracks of the HPDM. Network 14 includes: Des Moines Division, Knoxville Division, Nebraska division, and the Iowa City Medical Center. The Des Moines Division provides acute and specialized medical and surgical services, intensive outpatient treatment, and post-traumatic stress care; the Knoxville Division provides full range of mental health, rehabilitation, long-term care, intervention in alcohol and drug treatment, Alzheimer's and homelessness. Iowa City Medical Center provides tertiary healthcare and is a teaching hospital, and research facility.

The Central Plains Network University (CPNU)

WHY? WHAT ARE THE DRIVERS?

Even before the HPDM summit, Network 14 saw the need for developing employees and placing emphasis on continuous or lifelong learning. The network was responding to internal realignments, and to massive changes taking place across the entire VA healthcare system. Network leaders asked their education and organization development staff to explore possible approaches to encouraging among employees toward lifelong learning. A design team comprised of medical center directors, an education director at every site, labor union presidents, network staff, human resources, and the Employee Education System staff developed options for the leaders to consider. One of those options was the development of the Central Plains Network University (CPNU), which became operational in March of 1997. When HPDM was rolled out in February 1999, Network 14 was able to integrate the activities associated with HPDM into the existing structure of the CPNU.

WHO WAS INVOLVED?

Network 14 appointed a track leader for each of the six HPDM tracks. These leaders serve to bring consistency and standardization of HPDM goals to all the facilities within the geographic area of the network. They serve as consultants and resources to the facilities, and they help share best practices across the whole network. Every facility within the network has an implementation team for each track. These teams develop local programs that are consistent with network goals for HPDM. VHA labor unions are active participants. Each track leader reports regularly to the Executive Leadership and Partnership Councils.

HOW IS IT DONE?

Three approaches to mentoring.

The information on how Network 14 implemented HPDM is organized by track (VHA, 2001).

Coaching and Mentoring

Network 14 developed three approaches to coaching and mentoring. The "One-on-One Pairs" mentoring program is customized for the individual and lasts approximately 8-12 months. Employees apply to a local advisory board to be matched with a mentor at their facility. A second type of mentoring is the "Leadership Roundtables," which are a form of group mentoring. Self-maintained groups of 15-25 first-level to mid-level leaders identify, develop, and pursue their own group and individual needs. A senior leader sponsors the roundtable. The groups provide discussions on leadership issues or provide learning opportunities from guest speakers, both inside and outside the VA. The third type of mentoring is "enhanced informal mentoring" which encourages all employees to mentor or be mentored outside of formal programs. The process to initiate a mentoring relationship and associated skill sets are described in the Leadership Development Programs available to employees.

Core Competencies

Network 14 educates employees about HPDM and the importance of the competencies in their work and their careers at VHA. They use videos, brown bag discussions, live training and videoconferences. A toolbox of products and materials on the competencies and tracks is available on the HPDM intranet site for all employees.

Continuous Assessment

The Myers-Briggs Type Indicator is used network-wide as an assessment tool for all employees. The tool is integrated into the Leadership Development and Career Development Programs. An Individual Development Plan template is available for individual assessments and can be used with the Myers-Briggs assessment.

Continuous Learning

CPNU is the key component for continuous learning in the network. The university has three colleges: Communications and Informatics, Vocational and Clinical, and Organization Development. CPNU offers on-site courses; computer-based training available 24/7, videos, teleconferencing, and a number of online self-study manuals. CPNU has more than 150 computer-based courses. They also have a video library in which employees can access videos through a prepaid rental contract.

Performance-Based Interviewing (PBI)

Tools and concepts of PBI are available to supervisors and managers on the CPNU web site, supplemented by Microsoft Power Point presentations and video training materials. Initially, PBI techniques were used for senior and mid-level managers and are now used throughout all levels in the organization. The core competencies form the basis of PBI process.

Performance Management

Three design teams, comprised of bargaining unit employees and supervisors from across the network. They developed Growth Opportunities for Learning and Development, a new performance management process called G.O.L.D.

Other Initiatives that Promote Retention

As discussed in Part I of this study, surveys have shown that employees want the opportunity to grow and they want to do interesting and challenging work. Network 14 is experimenting with some approaches that relate to these retention factors. The network is experimenting with "Dream Sheets" to facilitate communication between supervisors and employees. An employee will write a dream sheet, and an interested supervisor will work with the employees on how they can realize their career dream. The two discuss what the supervisor, the organization, and the employee can do to realize the employee's dreams.

Dream Sheets experiment.

CPNU also fosters strong relationships across the network. It is helping to match individual employee interests with organization needs, projects, and initiatives. An employee interest sheet is placed into a database on the CPNU web site. When the network is looking for project team members or individuals to facilitate groups, they go to the database to find people who want that type of opportunity.

Network 14 has also tried creative ways to get employees excited about learning. Through the use of an "Educator Think Tank," they have brought in network "learning stars" to share experiences about what works and doesn't work in learning new competencies or technical skills.

Network 14 has begun videoconferencing programming on the retention of employees based on the work of Beverly Kaye and Sharon Jordan-Evans. *Love 'Em or Lose 'Em* focuses on the supervisor-employee relationship. The program is open to all supervisors, but the network is focusing on supervisors of RNs/LPNs, medical clerks, pharmacists, and radiology technicians, occupations where there are retention issues. The program covers topics like "What we know about retention," "What works?" "Why do employees stay?" "How to start on career discussions with employees." The program helps supervisors with retention action planning. The flyer for the program is telling with its banner headline: "Retention and Motivation: The Talent is in Your Hands."

WHAT ARE THE RESULTS?

The network has seen increased usage of the CPNU. Over 50 percent of the network employees have used CPNU. More people are coming in for career coaching.

These are indicators to the network that employees are more interested in developing their competencies and their careers.

Network 14 has completed return on investment (ROI) studies of computer skill training to determine the impact on performance. Using the Franklin Covey methodology for determining ROI, they found that training had a positive impact on performance.

KEYS TO SUCCESS

- top leader support for HPDM and for becoming employer of choice
- commitment for funding
- commitment for learning even before HPDM
- existing infrastructure on which to build implementation of HPDM
- environment where they can experiment

VA HEALTHCARE NETWORK UPSTATE NEW YORK VETERANS IINTEGRATED SERVICE NETWORK 2

Network 2 received Honorable Mention for the Comprehensive Category Award for implementation of all six tracks of HPDM. The network is composed of inpatient facilities, outpatient clinics and nursing homes throughout Upstate New York. Its service area includes 47 counties in New York and two counties in Northern Pennsylvania with an estimated 573,546 veterans. Inpatient care is found in Albany, Buffalo, Syracuse, Batavia, Bath, and Canandaigua.

WHY? WHAT ARE THE DRIVERS?

Even before the HPDM rollout, Network 2 faced challenges that led them to make substantive organization changes. Under a new VHA funding model they had to cut costs, see more patients, and improve customer service. They knew front-line providers, such as doctors and nurses, were key to accomplishing major changes. They had to value employees enough to allow them to use their talents and experiences as they realigned the organization, and they had to keep high performers (Flesh, 2001).

Employee development is key to improving the quality of service to patients.

Network 2 believes employee development is key to improving the quality of service to patients, One of their five strategic goals is to "Enhance Employee Development" by:

- providing education and training to all employees to assure optimum staff development
- introducing coaching and mentoring programs, as well as leadership development initiatives within each care line
- implementing HPDM to develop changing skills for VA employees while assuring accountability for results

WHO IS INVOLVED?

Network 2 sanctioned component champions for each HPDM track. These champions established a virtual network team comprised of representatives from the different facilities. These teams were responsible for program development, flow of information, and sharing of best practices throughout the network. Materials, tools, etc. are developed network-wide, but can be tailored for local use by site HPDM managers.

HPDM Steering Committee

The network also established a network HPDM Steering Committee, comprised of facility directors, care line managers, network education staff, representatives from the union partnership, human resources, network component champions and site HPDM managers. The Steering Committee reports regularly to the Network Executive Leadership Council to ensure alignment with business goals. They also report to the Network Union Partnership Council.

HOW IS IT DONE?

Network 2's implementation of HPDM is organized by the six tracks (VHA, 2001).

Core Competencies

In order to assure all employees understood the core competencies and how they relate to their individual jobs and performance, the network initiated these strategies:

- network-wide HPDM orientation program
- communication plan that included the following:
  - pamphlets/brochures attached to pay stubs of each employee
  - HPDM handouts provided at each orientation session
  - HPDM web site
  - posters designed and placed in each Medical Center and VISN office
- Facilitated Learning Module that included a tape on each of the core competencies
- Learning Map on the process of care to veterans. It served as a tool to assist employees in understanding the competencies in a work setting.
- Individual Development Plans (IDP) based on the core competencies

Rewarding highly competitive performance . . . key retention factor.

Continuous Assessment

The network developed an IDP process. The IDP was used to assess the skill levels of employees and make linkages to the organization's strategic goals and the core competencies. The IDP initiative included:

- learning session for supervisors and managers to provide them with the "How To's" on development planning, including coaching and mentoring skills
- templates for the development of the IDP
- application of the core competencies to all employees at all levels

Performance Management

Rewarding highly competent performance is key to organization success and is a key retention factor. In that vein, Network 2 established a goalsharing program that has won Scissors and Hammer awards. The Office of Personnel Management gave

the Network the 2000 PILLAR Award. Goalsharing is an incentive awards program tied to the accomplishment of primary goals. Goalsharing has three features:

- network-focused
- long-term in scope, so it avoids "quick fix"
- improvement oriented, emphasizing progress from good to better to best

Goalsharing successes are dependent on teamwork, pride in the work performed, good communications, and commitment to higher quality. The Goalsharing Program involves all 5,000 network employees who are organized into 850 work unit teams. The performance of the work unit and the accomplishment of "stretch" goals determine the incentive payouts for every employee. Under the goalsharing program, there are three levels of goal achievement: bronze, silver, and gold, for which points are assigned. Each work unit develops a plan that includes goals for the three levels. Based on the performance of the work unit in reaching its goals, points are awarded and averaged together. The average determines the level of the "pay out." Two "gold" activities are shown in Figure 4. The goalsharing booklet, goalsharing worksheets, and descriptions of gold level activities are available at this web site: http://www.va.gov/visn/visn02/vitalsigns/goalsharing.html.

Performance of the work unit and "stretch goals" determine incentive payouts.

FIGURE 4: NETWORK GOALSHARING, GOLD LEVEL EXAMPLES

Work Group: Physical Medicine and Rehabilitation, Group IV-Recreation Therapy

Goal: To send a team of patients and one Recreation Therapy staff member to represent Network 2 at the Golden Age Games. (Bronze 1; Silver 2; Gold 3-the plan for achievement)

Action Plan : Involved all employees, including other departments. More important pursuit of the goal was used as a motivator for patients to strive for improvement in their own physical condition program.

Outcome : Seven patients attended the Golden Age Games. This exceeded the best estimate. One 70-year old athlete, diagnosed with MS, said in his own words: "In February they wheeled me in and through the good work of the VA employees, I can now walk." An Olympic athlete for the US cycle team in 1952, 1956, and 1961, he used participation in the Golden Age Games as motivator to improve leg strength. He is "feeling better and ready to ride" because of his commitment to win as a cyclist at the Games, and the work of dedicated VA employees.

Work Group: Performance Management

Action Plan : The team focused on patient experience and interactions with employees of the medical center to improve the care and environment for the patients. It based this initiative on the results of a 1999 VHA Ambulatory Care Patient Satisfaction Survey and Patient Representative findings.

Study : Team members used an evaluation survey tool in outpatient clinics, pharmacy, and canteen food areas. The survey checked processes in check-in, waiting area, timeliness of appointments, examination room, checkout, and overall customer service. Team members identified 27 improvements to the identified areas. They worked with process owners to discuss findings, learn more about the processes and identify ways to make changes. Nineteen of the identified suggested improvements were implemented.

Outcome : Albany medical center improved 8 of the 10 categories of the 2000 VHA Ambulatory Care Patient Satisfaction Survey

Virtual Career Center

Gone from losing money to second best.

Coaching and Mentoring

The network developed a day-long session for supervisors, managers, and team leaders. The curriculum includes: traditional role of managers, manager as a coach and mentor, why change is necessary, personal styles, the Myers Briggs, coaching and mentoring behaviors, performance appraisal process, communication skills.

A Leadership Development Program was designed to build the leadership and core competency skills of a cadre of 8-10 people in the network. The program enhances skills in business practices, strategic planning, leadership, and organization effectiveness.

Performance-Based Interviewing

The Network developed a learning module for supervisors and employees on the principles and techniques of PBI. It developed a policy encouraging the use of the PBI tool in the Network. Monthly data is collected on the total number of interviews conducted in the Network, and the number using PBI.

Continuous Learning

The network has developed the following initiatives in learning:

- Worksite Learning—The Network partnered with educators and consultants, such as the Council for Adult and Experiential Learning and the Institute for Research and Learning, to design work-site learning tools. Some of the tools include maximizing the impact of formal learning, "teachable" moments, and meetings as learning opportunities.
- Virtual Career Center—The center is accessible on the Internet. And provides definitions and information on the six core competencies as well as information and forms for IDPs.
- VistA University—Employees with Intranet access can take online training for various computer applications at their workstations.
- Computer Literacy—The program was developed to provide a method for the staff to learn basic computer skills and to meet hospital information management standards.
- Network 2 Academic Support Program—Financial support is provided up to a maximum of $1000.00 per fiscal year based on availability of funds. Funding is awarded to individuals who are taking an academic degree program or specialty certification program for which there is an identified need. The award includes tuition and related expenses.
- Virtual Library—Employees can order books, videos, journals, etc. from the network libraries. Employees can submit book requests and bibliographic searches online.

WHAT ARE THE RESULTS?

Under the VHA funding model, Network 2 has gone from losing money to second best among the 22 Networks in meeting performance indicators for funding. Improving competencies and selecting the best people have contributed to the bottom line (Flesh).

KEYS TO SUCCESS

- top management support
- ample funding for initiatives
- not being afraid to experiment with initiatives like goal sharing
- not being afraid to fine tune or stop an activity that does not work
- listening and valuing front-line employees and implementing their ideas

PRACTICE # 10: MANAGING AN OCCUPATIONAL CAREER SYSTEM

DIRECTOR OF ACQUISITION CAREER MANAGEMENT, THE UNDER SECRETARY OF DEFENSE, ACQUISITION, TECHNOLOGY, LOGISTICS, (AT&L), DEPARTMENT OF DEFENSE (DOD)

Created by Congress in 1949, DoD is the largest federal department in the U.S. government. The Department's mission is to direct and control the Armed Forces and assist the President in the direction of the nation's security.

This successful practice highlights retention factors of organization and work environments.

In the American Society for Training and Development's "What Works Online" web site, researchers say that organizations need to put a premium on employee learning and growth. Many companies are offering tuition reimbursements, training programs, libraries and resource centers, job rotations, cross-training, coaching and mentoring, self-directed work teams, and similar programs to reduce turnover. When employees have the opportunity to learn and advance their careers, they are more engaged in the organization.

As this practice illustrates DoD's Acquisition Career Management has done all of this by taking a very systematic approach to development of employee careers. This successful practice covers one career field that is department-wide and its coverage includes the three military departments (Army, Navy, and Air Force) plus the Defense Agencies.

When empolyees have the opportunity to learn and advance their careers, they are more engagaged.

WHY? WHAT ARE THE DRIVERS?

In the twenty-first century more is demanded from the people involved in carrying out the mission of DoD. Individuals must take greater responsibility for decision-making in a very uncertain world; they need to be multi-functional; and they must be flexible to adapt to sudden changes. DoD leaders know that its employees are its greatest asset.

In the Final Report of the Acquisition 2005 Task Force, DoD lists several challenges for recruiting, training, and retaining its acquisition workforce:

- Attracting young, talented individuals: This is difficult for DoD because of private sector competition and ten years of downsizing.
- Shortage of quality managers: As greater numbers of people move toward

retirement, DoD needs to fill those ranks with people who have transitioned from technical to management skills.

- Government salaries have not kept pace with the private sector: This makes it difficult to retain employees, particularly at the GS12-13 levels.
- Need to develop tools that allow flexibility for different career patterns, compensation expectations and motivations.

For DoD acquisition, a driving force is the Defense Acquisition Workforce Improvement Act of 1990 (DAWIA) that established a framework for career programs for everyone, including military and civilians, in defense acquisition fields. The focus of DAWIA was to improve the effectiveness of people who implement the defense acquisition system. DAWIA established organizational responsibilities and set minimum policy objectives for each element of the career program: accession, education, training, experience, assignment, promotion, and retention. Furthermore, DAWIA required DoD to set minimum standards for education, training, and experience in the major acquisition career fields. DAWIA mandated that DoD establish an Acquisition Corps of highly qualified professionals recognized as experts in acquisition.

The Defense Acquisition Workforce Improvement Act of 1990 established the career program framework.

WHO IS INVOLVED?

One of the strengths of Acquisition Career Management is the organizational structure that ensures career programs meet the continuing needs of the department and provide the best development for employees. The most senior acquisition leaders in DoD and in the military departments are involved in setting program direction. The Under Secretary of Defense (AT&L) is accountable for all acquisition programs, including career management, and is assisted by component acquisition executives from the Air Force, Army, and Navy.

The director of Acquisition, Education, Training, and Career Development assists the under secretary in the performance of his education and management duties. The DoD Director of Acquisition Career Management (DACM) advises on acquisition, program direction, development of legislation, policy and budget, and the development of program guidance. The DoD DACM is assisted by DACM's from each of the military departments. They advise on policy issues, legislative proposals, and planning issues.

Functional advisors, members of the Senior Executive Service, lead each of the 11 acquisition career fields. They take the pulse of the career fields worldwide. They advocate for policies and programs that satisfy the needs of the components in meeting mission requirements. They help define the standards for education, training and experience for the career field with input from people in the career fields themselves.

SES members lead each of 11 career fields.

HOW IS IT DONE?

The Acquisition Career Management Program provides a systematic and integrated process for the DoD to plan for the requirements of the future workforce, recruit, develop, and retain employees. This process allows DoD to:

- improve the management and professionalism of the acquisition workforce
- develop on a long-term basis a highly qualified, diverse workforce
- meet current and future needs for acquisition personnel on a planned systematic basis
- plan for replacements of senior acquisition positions
- increase proficiency of current workforce by providing broadening experience and career progression

The eleven career fields include the following:

- program management
- communication-computer systems
- acquisition logistics
- contracting (including construction)
- auditing
- purchasing (including procurement technician)
- test and evaluation
- industrial property management
- manufacturing, production and quality assurance
- business, cost estimating and financial management
- systems planning, research, development and engineering

Establishes mandatory and required education, training, and experience.

Career Field Education, Training, and Experience

DoD sets department-wide minimum standards for each career field in the manual, *Career Development Program for Acquisition Personnel*, November 1995. The manual establishes the specific position categories; establishes mandatory and desired education, training and experience requirements, and career fields; provides certification guidelines; and provides career paths for the workforce. There are three levels for each field:

- Level I, basic or entry level, GS 5-9
- Level II, intermediate or journeyman, GS 9-12
- Level III, advanced or senior, GS 13-SES

Requirements are clearly laid out for supervisors and employees. Planning for career development and promotion is much easier because the requirements are documented. The manual is available to all employees on the acquisition web site: www.dau.mil/resources/otherdocs.htm.

(*Special note* : Requirements for the DoD Contracting Career Field have changed to a four-year degree and 24 semester hours of credits in a business related field. Effective October 2000; excludes employees in contracting positions prior to September 30, 2000)

All acquisition employees must have an Individual Development Plan until they are certified at Level III. Acquisition standards that exceed the OPM Qualification Standards are used for quality ranking factors for selection to acquisition positions.

Certification

DAWIA required DoD to take measures to assure the professionalism of the acquisition workforce. As one means to meet that requirement, DoD established a certification program, a process in which employees are recognized as having achieved professional status. Normally, individuals meet the career field standards for the appropriate career level prior to being assigned. When an employee is assigned to a position and does not meet the applicable certification standard, the organization has 18 months in which to get the individual certified. There may be some extensions of the time required for certification, and there are alternate ways to meet some of the standards which will not be covered here. However, DoD and the military departments are strict about enforcing the standards.

Defense Acquisition University (DAU)

The DAU was chartered in 1991 to provide mandatory, assignment specific, and continuing education courses for 140,000 military and civilian acquisition personnel. DAU sponsors curriculum and instructor training to provide a full range of basic, intermediate and advanced courses.

An HR Handbook for managers and supervisors.

The DAU is responsive to the needs of the acquisition community. A Functional Integrated Product Team (FIPT), comprised of senior-level acquisition officials of the DoD components, represents each DoD career field. The FIPTs advise the USD (AT&L) on career development issues and recommend mandatory training, education, and experience required for their respective areas. DAU Program Directors work in conjunction with the FIPTs to identify performance outcomes for various career levels and incorporate them into DAU courses

The DAU provides both classroom and Internet training, and fosters professional development through publications, symposia, research, and consulting in acquisition functions. DAU works with the colleges and training organizations in the Military Services and DoD components to bring resources together to meet acquisition requirements.

DoD Acquisition Human Resources Handbook

The AcqDemo project.

The staff of the director of Acquisition Career Management created an HR handbook to assist managers and supervisors with the basics of personnel management. The staff wanted to remind managers they have flexibilities that they are not using. It's easy to use and navigate on the Internet. The section on retention is included in Appendix I.

DoD Civilian Acquisition Workforce Personnel Demonstration Project (AcqDemo)

The purpose of AcqDemo is to enhance the quality, professionalism, and management of the acquisition workforce. Currently 5,000 employees participate. Key features of the project include:

- streamlined hiring
- broadbanding, and a simplified classification system
- contribution-based compensation and appraisal system
- modified term appointments

- academic degree and certification training
- expanded candidate selection process
- flexible probationary period
- sabbaticals
- voluntary emeritus program
- simplified modified RIF

More information is available at www.acqdemo.com.

Acquisition 2005 Task Force

The USD (AT&L) established an acquisition task force (DoD, 2000), comprised of senior leaders, to determine how DoD should manage and reshape the acquisition workforce. Senior leaders were concerned about the talent drain and about using the transition of the aging workforce to shape the culture of the future. The task force used advice from the acquisition community, industry, academia, other federal agencies, and employee unions. They chose five general themes:

- strategic planning
- recruiting and hiring
- career development
- workforce management
- quality of work life

Five general management and reshaping themes.

They grouped the themes into categories:

- What we can do immediately?
- What we should start in the near term?
- What we need legislative authority to do?

The final report of the task force referenced earlier, is available at: www.acq.osd.mil.

WHAT ARE THE RESULTS?

DoD has a clearly defined Acquisition Career Management program being used by 140,000 people across the whole DoD. They have an infrastructure that supports the total system of career management with guidance from the department's policy leaders.

KEYS TO SUCCESS

- senior officials are involved
- senior career field officials make the policies
- commitment to plan, fund, and implement a worldwide program
- development of standards that are given to everyone
- willingness to look for the flexibilities in personnel systems
- commitment to investigate/research legislative relief that may be needed

PRACTICE # 11: SUCCESSFUL PRACTICE—BECOMING A LEARNING ORGANIZATION

OFFICE OF SPECIAL EDUCATION PROGRAMS (OSEP), DEPARTMENT OF EDUCATION

The Department of Education's mission is to ensure equal access to education and to promote education excellence for all Americans. The department's role is to ensure education opportunity for all individuals, strengthen federal support of state and local efforts to meet education needs, and to enhance the quality of education through research, information sharing, and program evaluation. OSEP is dedicated to providing leadership and financial support to assist states and local districts to improve results for infants, toddlers, children, and youth with disabilities, ages birth through 21. OSEP administers the Individuals with Disabilities Education Act (IDEA), which authorizes formula grants to states and discretionary grants to institutions of higher education and other non-profit organizations to support research, demonstrations, technical assistance and dissemination, technology and personnel development, and parent-training and information centers.

A pilot with the Society for Organizational Learning.

This case study highlights the retention factor of work environment. It describes how the OSEP, participating in a pilot project with the Society for Organizational Learning (SOL), began using the techniques and tools associated with what Peter Senge has called a learning organization. How does this apply to retention? As described in Part I, many of the surveys showed that employees want to be challenged and want to be engaged in learning. In addition, Generations X and Y, the groups that follow the baby boomers, want a different environment than their elders. They want their work to have an impact on the organization's mission; they want managers who can coach and mentor; and they value relationships with coworkers, the opportunity to learn, responsibility, and the freedom to be flexible and creative (Blankenship, 2001).

The work environment today is different. Organizations have gone from hierarchies with explicit rules to environments where there are fewer patterns and rules from which to work. The "learning organization" continually improves its ability to be more effective in meeting goals of its members, and reinvents itself when necessary (Sugarman, 2000). This is also a way to build relationships as a team to deal with the swirl of change that exists today, and to develop shared values and vision. As the case will show, OSEP was able to learn as a team and it obtained results that changed its relationship with state and local governments.

An organization in which new and expansive patterns of thinking are nurtured.

A "learning organization" is defined by Peter Senge as an: "organization where people continually expand their capacity to create the results they truly desire, where new and expansive patterns of thinking are nurtured, where collective aspiration is set free, and where people are continually learning how to learn together." (Senge, 1990)

The five "disciplines" of a learning organization are as follows:

- Systems Thinking—a conceptual framework to make patterns clearer and to help people see how to change those patterns

- Personal Mastery—foster personal motivation to continually learn
- Mental Models—deeply ingrained assumptions, generalizations, pictures or images that influence what people understand and do
- Shared Vision—a shared picture of the future a group seeks to create
- Team Learning—developing skills of groups to work beyond their individual perspective (Ibid.)

WHY? WHAT ARE THE DRIVERS?

Improve the results for students with disabilities.

There are two critical roles OSEP plays in ensuring that the IDEA is enforced and that States and local districts have the assistance they need to implement the IDEA. Monitoring and enforcement of the IDEA is one of those roles. The other is to provide support for the development, dissemination, and utilization of effective services and programs to improve the results for students with disabilities.

OSEP was struggling with its ability to issue timely and accurate monitoring reports that would assist states in correcting deficiencies in their special education and early intervention services to improve results for children with disabilities. OSEP staff members were going out to states to monitor their delivery of special education services. They would return with lots of information that was difficult to organize into a final report that could effectively help states move to corrective action or improve their planning. OSEP had a backlog of these reports, and it was getting worse.

OSEP also was exploring ways to improve its ability to provide technical assistance and disseminate information designed to get research into practice. Specifically, OSEP needed to plan for the future technical assistance investments in the area of early childhood.

WHO IS INVOLVED?

The deputy director and two of her direct reports headed the SOL project. They also had a human resource development specialist, and a consultant from DoL as part of their team. Approximately 30 people in their organization participated in the first phases of the SOL project, and other people joined in as they began to see results.

HOW IS IT DONE?

Focused on redesigning the work.

OSEP participated in a pilot sponsored by the OPM. OPM contracted with the SOL to apply the techniques and tools of a learning organization in federal agencies. In conducting the pilot, SOL used a model of introducing new ideas, nurturing and protecting these ideas as they grow stronger. OSEP's project focused on redesigning the work of the State Monitoring and Improvement Division. As OSEP become encouraged by the progress they were making, they expanded the project to delve into the more complex area of technical assistance. They worked in four phases discussed below.

Phase One: Getting Ready

The deputy director, the division directors, and the internal consultant participated in a five-day "core competencies class" in Boston. They learned about men-

tal models, teamwork, systems thinking, and reflection/inquiry. They learned about the theory and then practiced applying the theory to situations regarding their on-going work. These four became the core learning team for the OSEP's project, and began working with the SoL consultant to plan a learning lab for OSEP staff.

Two months later, about 30 staff members attended a two-day learning lab, run by SoL, to introduce them to the basic tools of organizational learning.

Phase Two: Pilot Project in the State Monitoring and Improvement Planning Division

A new partnership mental model with states.

After the learning lab, the monitoring staff began experimenting with the tools and concepts in their work. They felt the dilemma of wanting to put the learning to use, but were feeling overwhelmed by a tremendous backlog of overdue monitoring reports. Then they began discussing new "mental models" (the notions and assumptions deep in the psyche by which we understand the world and take action) regarding the way they monitored states that might help address the backlog of reports. Through a lot of hard work, they realized the old mental model was an adversarial, compliance type relationship with the states. They talked about how they thought the state staff viewed OSEP's monitoring process and asked themselves if the mental model could become that of "partners." During this process they used other tools, such as shared vision and team learning, inquiry, and reflection. Staff said they felt they had been given permission to "think outside the box." The monitoring reports that will be issued during the upcoming year will be more tailored to the needs of the specific state. Some states will have more focused reports as opposed to the comprehensive, time-consuming reports previously prepared for all states.

Phase Three: Assessment

Focus groups with customers.

As OSEP formulated its plan for future technical assistance in early childhood, it used the Vision Deployment Matrix (VDM), a trademarked tool developed by Daniel Kim, to surface many complex and broad-based issues relating to OSEP's technical assistance role that may not have been discussed without this process. Ten staff developed a work plan based on the VDM. They held focus groups with customers and other Federal partners to involve them in the process of reviewing OSEP's technical assistance role. They developed a priority to fund a grant for childhood assistance, using many of the learning tools, in addition to the VDM. OSEP has given the Academy permission to provide this VDM in Appendix J. It looks like a planning tool, but it is different from conventional planning. The VDM's purpose is to facilitate collective thinking by the formulation of a vision, the surfacing of mental models, the analysis of systemic structures, and the alignment of all of these elements. The result is a shared vision with shared strategies and goals (Ibid.). Although using the VDM was very time consuming at first, OSEP learned to use it more efficiently in future work.

The use of the tools changed their work processes by:

- increasing the feeling of inclusiveness
- showing more collaboration among the staff
- engaging everyone in conversations and decision-making

- promoting creativity and not thinking in the old ways
- helping large groups get a common understanding

Phase Four: Building on Initial Learning

The success of the State Monitoring and Improvement Planning Division's work and the ECTA effort were an inspiration to others. "Seed Carriers" (people excited about the pilot) carried the learning tools across the organization. The work on early childhood technical assistance resulted in new thinking that had implications for other OSEP technical assistance investments. During the Spring 2001, OSEP convened a work group of both OSEP staff and external stakeholders and again used the VDM to generate ideas for implementing the results of all OSEP's investments. In May, 10 OSEP staff attended the five-day "core competencies course." Since they returned, they have served as facilitators in meetings using the learning tools with the participants.

Many OSEP staff members requested the opportunity to learn more about the disciplines Peter Senge calls personal mastery and shared vision. OSEP will hold a two-day learning lab on personal mastery in August 2001 for 50 employees. OSEP will follow with a retreat with all staff in the Fall 2001 to develop a Shared Vision for OSEP using the SoL tools and concepts.

WHAT ARE THE RESULTS?

Following are the results of the work of the organization:

- improvement in the state monitoring program
- design of an Early Childhood Technical Assistance System
- increase in collaboration among senior staff
- increase in the efficiency of tackling new issues and problems and more focus
- some lessons learned:
  - be patient/persistent
  - change comes slowly
  - understand it's about doing your work differently
  - celebrate success
  - value in reflection/inquiry
  - reinforces high performance

People feel an attachment . . . because of shared values and vision.

The most important result: People feel an attachment to the organization because of shared values and vision. And, this change is helping the agency improve results for kids with disabilities.

KEYS TO SUCCESS

- senior leaders willing to pilot a change initiative
- OSEP staff willingness to work hard to learn a new set of tools
- planting "seeds" for change; showed tools worked; then others followed
- learned the tools by using real work
- learning organization is about relationships and building those relationship powerful tools can affect your personal life as well

PRACTICE # 12: USING SURVEY DATA TO IMPROVE THE WORK ENVIRONMENT

DANA CORPORATION, SPICER DRIVERSHAFT DIVISION (SDD)

Headquartered in Toledo, Ohio, Spicer Driveshaft is the 2000 Malcolm Baldrige National Quality Award recipient in Manufacturing. Spicer Driveshaft is North America's largest independent manufacturer of automotive driveshafts and related components. In terms of market share, the company is the leader in the three largest-volume product categories: cars and other light vehicles, large commercial trucks and other heavy vehicles, and off-highway vehicles for construction, mining, and other uses. Spicer Driveshaft has 17 plants and offices in the United States, with 3,300 employees. Beyond its manufactured products, the company provides a growing array of services, from just-in-time delivery and full assembly, to specialized design and engineering analysis.

This successful practice highlights retention factors of organization and work environment. The case provides information on the process that Spicer Driveshaft Division (SDD) uses for its Total Quality Culture Survey.

Listening to customers and analyzing performance.

WHY? WHAT ARE THE DRIVERS?

Total quality management processes drive the activities of the company from its focus on customer satisfaction to its structured measurement system. Listening to customers and analyzing performance are processes used to continually improve what the company does.

In its web page on Baldrige winners, the National Institutes of Standards and Technology provides statistics on SDD's steady improvement. The company's return on net assets rose to more than 25 percent in 2000 from 20 per cent in 1997. Internal defect rates decreased over 75 percent in the period from 1996-2000. Overall customer satisfaction averaged 80 percent or better from 1998-2000, topping all competitors. Customer complaints dropped from 6.8 per million units shipped in 1995 to 2.8 in 2000 (NIST, 2001).

WHO IS INVOLVED?

You cannot build a quality work environment and win the Baldrige award without the involvement of your employees.

Senior company officials who sit on the Manufacturing Council and Strategic Business Council form the base of the leadership structure. They are committed to taking quality policy to organizational practice. Employees at all levels are encouraged to suggest and make changes. Most important, all employees are expected to learn from customers. Dedicated teams of sales, engineering, quality, and warranty personnel are assigned to build relationships with customers.

All employees are expected to learn from customers.

HOW IS IT DONE?

Total Quality Culture Study

SDD is doing what many retention experts (Kaye, 1999) say you should do. They are asking employees what makes a difference in their work environment through

a Total Quality Culture Survey. SDD partnered with organizational consulting firm, Stanard & Associates, to develop a survey tailored to their quality culture. You can see the emphasis on quality in some of questions that are asked on the survey. Some examples are:

> "Top management supports quality as a priority"
> "The person I report to supports our quality efforts"
> "My workgroup gets together to set goals based on quality measures"

The culture survey has 57 questions with five-point scale responses. The survey also has a section for open-ended anonymous comments.

Conducts a Total Quality Culture Survey annually.

SDD conducts the survey yearly and compares the results each year. SDD uses a People Survey Improvement Process that focuses on action planning, both short-term and long-term. Company leaders and employees are committed to taking the survey data and working on actions that will make SDD a better place to work. Although some of the information about the survey is proprietary, SDD agreed to our use of extracts from a Microsoft Power Point presentation from a training session on the People Survey Improvement Process (Appendix K). Even though the presentation references pages from the manual, it is possible to follow how the process works for SDD. It emphasizes analysis of and getting clarification of what the survey means. And, of course, there is emphasis on follow-up action.

Emphasis on follow-up action.

Other Activities that Foster Retention

The best companies are finding ways to encourage more employee involvement in decision-making about their jobs (Levering, 1993). Two-way communication is one of the rating factors (Ibid.) *Fortune* uses to determine its list of Best Companies to Work For. SDD encourages such communication to foster individual and team initiative. Employees are encouraged to suggest and implement changes. Internal statistics show that on average employees submit three suggestions for improvement monthly. In 1999, about 80 percent of those suggestions were acted upon. Management encourages "blitzes" where teams gather to brainstorm, identify ways to improve, and then implement their ideas. Blitzes are held as often as every three to four weeks in some company locations.

1 percent employment turnover.

SDD established a Training and Education Council in 1999. The council develops company-wide plans for training and education, and helps facilities implement the plan so skill needs are met. Employees are required to take a minimum of 40 hours of training each year.

What Are the Results?

SDD won the Baldrige award. Its internal statistics show that employee perception of productivity and job security is at 91 percent. Employee perception is at 71 percent for opportunity and growth. Employment turnover is at one percent, better than the best competitor. The attendance rate topped 98 percent for the last six years.

KEYS TO SUCCESS

- quality culture that is a way of doing business

- employee participation in developing and improving their work processes
- analyzing performance so improvements are made

PRACTICE #13: COLLECTING DATA ON WHY PEOPLE LEAVE

DEPARTMENT OF THE ARMY (DA)

The DA mission is to protect the peace, but fight and win the nation's wars if it must. DA must maintain training and readiness to ensure it is prepared at all times. DA's Objective Force as outlined in its vision is to deploy a combat capable brigade anywhere in the world in 96 hours; a division on the ground in 120 hours; 5 divisions on the ground in theater in 30 days. DA employs 218,452 civilians around the world in its military functions.

This case study highlights an exit survey tool.

WHY? WHAT ARE THE DRIVERS?

A lack of knowledge about "Why people leave."

When the senior leaders of a major Army career field requested turnover data, the civilian HR staff gave them statistics on numbers and types of employees who were leaving. While program officials wanted information on why people leave DA, HR simply did not have the information. The automated personnel system had outdated codes that did not capture specific information about the reasons people were leaving DA.

Personnel psychologists in the office of civilian personnel policy (CPP) within the office of the deputy assistant secretary of the army (Civilian Personnel Policy), canvassed the major commands (MACOMs) to determine if any MACOMs or activities had exit surveys that would benefit DA. They found a variety of approaches to exit surveys. Some MACOMs did "paper and pencil" surveys, some did interviews, and some did nothing.

WHO IS INVOLVED?

Personnel psychologists researched the best practices among exit surveys, and developed the survey instrument based on work by the Merit Systems Protection Board (MSPB). They developed the survey, but fully staffed the draft final product with input from MACOMs.

HOW IS IT DONE?

The CPP gained approval for an Army-wide survey process. The survey will allow the Army to accomplish the following:

- DA will use the survey to determine reasons why employees and organizations may not realize their full potential.
- DA is already collecting lots of data on organizational productivity, employee satisfaction, and customer satisfaction.
- DA will use exit/entrance surveys as one additional means of gaining information on why employees leave. It will use other studies and tools, such as retire-

ment projections, civilian personnel evaluation reports, annual evaluation results, business process maps, and a forecasting system for projecting turnover, retirements, accessions, and aging, in conjunction with the exit surveys.

- The exit survey is web-based, Army-wide. Results are available by MACOMs, local activity, grade, and series. The real value is to provide local information so the field can act on the information.
- MACOMs and local activities can use the data systematically to pinpoint areas of organization effectiveness or dysfunction.
- Personnel psychologists will offer services as change agents using existing diagnostics and targeted interventions to assist MACOMs and activities in developing actions to improve their retention.

The exit survey is web based.

DA tailored the MSPB exit survey to meet DA requirements and launched it online in June 2000. The Uniform Resource Locator for the exit survey is listed on agency out-processing forms. A covering memorandum and the exit survey are included in Appendix L.

The CPP determined that collecting information on why people leave Army was only one part of the data needed for effective retention planning. It is currently developing an entrance survey scheduled to go online by fall 2001. HR plans to hand each new employee a letter that directs them to the appropriate web site and asks them to complete the survey about their expectations for employment with the Army. By comparing new employee expectations on coming to work with the Army with the exit data on why people leave, managers will be able to complete a gap analysis. It hopes to improve the match of the job offer to employee needs and expectations.

An Entrance Survey goes online in fall 2001.

WHAT ARE THE RESULTS?

The survey is too new to evaluate the results. Early exit survey information gives DA the five major reasons why people leave:

1. chance of promotion
2. higher level managers in immediate organization
3. immediate supervisor
4. job stress
5. job duties-better use of skills and abilities

KEYS TO SUCCESS

- responding to customer needs
- having Personnel Psychologists on staff
- integrating exit survey with other key sources of data
- developing an automated survey so information is available directly to local activities to find local solutions

PRACTICE #14: ASSESSING SUPERVISORY POTENTIAL

LARGE GROCERY CHAIN AND MOVIE GALLERY

Movie Gallery is the third-largest video chain in the United States. Stores are found in 33 states, usually in rural and suburban areas. The Large Grocery Chain has stores in a broad area of the country and prefers to remain anonymous.

This successful practice highlights the factor of work environment. It will show how two companies are using an assessment system in the selection of their supervisory personnel.

Selection of supervisors critical.

WHY? WHAT ARE THE DRIVERS?

The employee-supervisor relationship is the crucial element contributing to retention. The supervisor's role in retention and attrition cannot be overstated. Many believe that people leave managers, not organizations. The supervisor is a critical link in determining what is important to employees. The supervisor is the link for communicating organizational vision, goals, and strategies. The supervisor also has impact on providing a work environment that builds commitment. If the supervisor has such a big impact, then the selection of people for supervisory positions is critical (Blankenship, 2001).

WHO IS INVOLVED?

Both companies chose the London House System for Testing and Evaluation of Potential (LH-STEP). Senior leaders support the use of the tool. In the case of the grocery chain, the union also supports its use.

Measures KSA's of candidates.

HOW IS IT DONE?

What is the Assessment System?

LH-STEP is an assessment system in which employers can measure skills, abilities, and potential of a candidate for a specific job. The process is based on two interlocking measurement systems:

- one system assesses the capability of the individual by measuring aptitudes, abilities and behavior attributes
- the other system identifies the requirements of the job by the relative importance of functions to be performed

The system measures the potential for successful performance in terms of the "fit" between the functions to be performed and the measured aptitudes, abilities, and behaviors. It also measures the overall level of acquired job skill by comparing the level of skill on the functions identified as important on the job.

The battery of tests measures up to 50 skills, abilities, and attributes in 6 areas: personal background, mental abilities, aptitudes, temperament, resilience, and work values.

There is a three-step process for deployment of the assessment system:

- job analysis where staff create a job function profile that is matched against a national data bank of jobs to develop a clear definition of the job
- LH-STEP assessment where the tests are administered
- job skills assessment where an individual's actual skills are compared to the critical job functions

Grocery Chain

The LH-Step can be tailored for a specific industry or organization because of its large database. This company assesses financial responsibility, handling stress, word fluency, and responsiveness.

Employees "declare" for specific positions by indicating they have the requisite experience. When an employee declares for assistant grocery manager (entry-level management), the company schedules the individual for LH-STEP. Once a district manager approves the employee's request, the individual is scheduled for the LH-STEP assessment.

If an employee meets position requirements, he or she is scheduled for a one-hour review of the assessment. The employee also meets with a division vice president to go over job requirements and the operations of the division. Scoring well on the assessment does not guarantee promotion. Employees are given access to education opportunities, a management development class, management tapes, and a management development library. Employees who do not meet requirements are given feedback on the results of the assessment so they will know how they need to improve. They can be re-tested in six months to a year.

Bad managers can run people off.

Movie Gallery

Movie Gallery uses LH-STEP to select district and regional managers. The company feels strongly that bad managers can run good people off. Therefore, it has invested in the assessment process to screen potential candidates for senior positions. The company also uses two other assessment instruments from Reid London House. They use a Personal Selection Inventory (PSI) for entry-level associates. The primary assessment is customer service. They use another tool, Retail Management Assessment Inventory (RMAI), as a teaching instrument to pinpoint strengths and weaknesses of store managers. Based on the RMAI assessment results, associates take courses in math, leadership, or other areas to build their skills. Movie Gallery believes in "growing their own," and finds that the PSI and RMAI help with the uniform assessment of staff, from entry-level employee to store manager.

WHAT ARE THE RESULTS?

Both companies have been using the LH-STEP for a number of years and feel that they are selecting more qualified individuals for managerial positions. At the grocery chain, many of the senior leaders have taken LH-STEP themselves and support the use of the instrument. In Movie Gallery's view, they have less turnover. Neither has done a formal evaluation on LH-STEP.

Selecting more qualified managers.

Correlation between test score and O-T-J performance.

Movie Gallery had done a blind test on the PSI. They had potential employees take the assessment. When they were selected for positions, they did not give the supervisor the test results. They later had the supervisor evaluate the employee's job performance. They found a correlation between test scores and on-the-job performance.

Reid London House has done validity tests on the LH-STEP. One such investigation was on the relationship between managerial potential and business performance. They took two samples, one group of employees who were already store managers when they completed the LH-STEP, and one group of line managers. Reid London House results showed that store directors scoring in the higher potential range of the LH-STEP manage stores that rank 10 percent higher in profit on average. The same was true for the line managers promoted to store director.

Reid London House also did testing for a telecommunications company during a period of high turnover. In 10 months of using the LH-STEP, the company experienced a 65 percent reduction in average turnover of their managers.

KEYS TO SUCCESS

- enhance job—person fit
- top leader support of the use of the assessments
- satisfaction with the selections for supervisory positions

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PART II WEB SITES

Industry Sites

www.astd.org/virtual_community/research/what_works (articles from ASTD)

www.continental.com

www.dana.com (Spicer Driveshaft Division)

www.ewin.com (exit interviewing)

www.fortune.com (list of best companies to work for)

www. Greatplaceto work.com (Robert Levering)

www.keepem.com (Beverly Kaye and Sharon Jordan-Evans)

www.omi.com

www.sas.com

www.southwest.com

www.workforce.com (*Workforce* magazine)

Government Sites

www.acq.osd.mil/yourfuture (Defense Acquisition Career Management)

www.army.mil

www.dau.com (Defense Acquisition University)

www.hhs.gov

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www.opm.gov

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APPENDIX A

Annotated Bibliography

BOOKS

Burzon, Nancy and Moore, Jean. *Reconnecting With People: A Strategy for Organization Success*. 1999. Crisp Management Publications, Inc. This little book (75 pages) clearly explains how to take on the job of achieving significant change in an organization. The book's thesis is that people are more important than ever before to organizational success, an elementary truth that has been forgotten in successive waves of downsizing, mergers, and acquisitions. The authors are two HR executives at GTE Corporation. The book is based on their efforts to create the capacity for sustaining competitiveness through continual change. Complex ideas are simplified and illustrated through a case study. This book contains several very useful tools. While relevant to anyone concerned with effecting organizational change, the book is especially recommended for senior managers who need a quick read to get up to speed.

Tulgan, Bruce. *Winning the Talent Wars: How to Manage and Compete in the High-Tech, High-Speed, Knowledge-Based, Superfluid Economy*. 2001. W.W. Norton and Company. Bruce Tulgan, who also wrote *Managing Generation X*, shares the insights he has gleaned as a management consultant working with companies worldwide. He makes the argument that in the new war for talent, talent rules. Employees should be viewed as volunteers or "free agents." Companies need to be able to make their HR policies and practices flexible enough to meet each employee's needs. The assumption is that if employees are allowed to negotiate their dream job, they will never leave. In return for a highly customized employment contract, employees are expected to perform to high standards. While Tulgan's approach is probably not feasible in the federal workplace, his insights are helpful in understanding how at least some segments of today's labor market are changing.

O'Reilly, Charles A., and Pfeffer, Jeffrey. *Hidden Value: How Great Companies Achieve Extraordinary Results with Ordinary People*. 2000. Harvard Business School Press. O'Reilly and Pfeffer argue that trying to win the war for talent is a fruitless endeavor. Instead of chasing the same top 10 percent of stars that everyone else is after, employers should adopt a strategy of creating a work environment that lets their current employees produce like stars. The book provides detailed case studies of seven companies that are successful in implementing this approach. These companies all follow a people-centered strategy based on putting values first. This book is useful for understanding how real organizations go about creating a workplace that motivates people and unleashes their full potential.

Buckingham, Markus and Coffman, Curt. *First, Break All the Rules: What the World's Greatest Managers Do Differently* . 1999. Simon and Shuster. Even though readers may not agree with all of the authors' conclusions, they will find it refreshing to encounter a mass-market management book that relies upon extensive data and sophisticated statistical analysis. Buckingham and Coffman are senior experts with the Gallup Organization. They draw upon that organization's vast databases compiled during more than 20 years of survey research. Most of the book is concerned with effective management practices distilled from interviews with more than 80,000 managers in 400 companies. Of particular interest is the list of 12 questions that measure an organization's ability to attract, focus, and keep the most talented employees. The authors believe that the best retention tool is good job fit. The best managers achieve this through good hiring and assigning work that allows people to do what they do best.

Bristow, Nigel. *Using Your HR Systems to Build Intellectual Capital and Organization Success* . 1999. Targeted Learning, Orem, Utah. This book (it is actually a 23-page booklet) presents research-based answers to the following questions: do HR systems provide competitive advantage for organizations; which HR systems have the greatest impact on intellectual capital and organizational success; and are competency-based HR practices more effective than traditional HR practices. The results are based on a survey of 1,030 organizations and in-depth case studies with 17 of these representing a cross-section of industries. The results demonstrate a clear link between more effective HR practices, greater human capital, and greater organizational success. This book is a good introduction to the concepts of intellectual capital and human capital. Its data-based approach will appeal to readers who "just want the facts" and have a bottom line orientation.

ARTICLES

"The contribution continuum: engaging the full potential of your knowledge workers " by Nigel Bristow. Available for free at www.targetedlearning.com/continuum.html. This article provides a concise explanation of what knowledge work is and how organizations can create a sustainable competitive advantage from knowledge workers. Also included in a very helpful checklist of specific things managers can do to more fully engage the potential of their knowledge workers.

"Exit Interviews " by N. Drake and I. Robb. White paper of the Society for Human Resource Management (SHRM). Available to SHRM members at www.shrm.org. This article provides a good introduction to the topic of exit interviews. A sample exit interview questionnaire is also included. This site contains a number of other useful articles on exit interviews.

"Empowered self-development and continuous learning " by Manuel London and James W. Smither. *Human Resource Management* , Spring, 1999, Vol. 38, No. 1. Written by two leading academics, this article describes why self-development and continuous learning are important in today's organizations and how employees can take charge of their own learning. The discussion of self-determination theory helps the reader to understand the role that managers and organizations must play in creating an environment that empowers and motivates employees. The role of the HR office in enabling employee self-development and continuous learning also is discussed.

"Managing professional intellect: making the most of the best " by James Brian Quinn, P. Anderson, and S. Finkelstein in *Delivering Results* by David Ulrich (ed.), 1990. Harvard Business School Publishing. The authors explain that professional intellect is what creates most of the value in the new economy. The different types of levels of intellect are dis-

cussed. The body of the article contains helpful guidance on how to develop professional intellect and how to leverage it. The discussion of leveraging ranges from familiar tools such as knowledge management and information sharing to more novel approaches such as inverted organizational designs and creating intellectual webs. This article is worth reading if only to stimulate out-of-the-box thinking.

"Human Capital: a self-assessment checklist for agency leaders ." General Accounting Office, Document number GAO/GGD-99-179 and "Human capital: key principles from nine private sector organizations." Document number GAO/GGD-00-28. These two documents from the General Accounting Office provide an excellent introduction to the concept of human capital. Together they could be used as the basis for training senior managers. First, have each person complete the checklist. Then tally the results and discuss them as a group. The second document, which presents key principles from the private sector, could serve as the basis for developing an action plan for implementing a human capital management program.

WEB SITES

The following web sites provide very useful information on retention issues.

www.keepem.com	web site of Beverly Kaye & Associates.
www.shrm.org	web site of the Society for Human Resource Management.
www.workforce.com	web site of *Workforce* magazine.
www.astd.org	web site of the American Society for Training and Development