

WORKPLACE **Visions**

HARNESSING THE NEW INDIVIDUALISM

*In this issue of Workplace Visions, special guest writer James O*Connell, vice president, government relations and HR policy, Ceridian Corporation, provides valuable information on the trend towards individualism in the United States, its potential effect on the workplace, and ways HR professionals can harness the new individualism for their organizations* advantage.*

◆ EXECUTIVE SUMMARY ◆

Trust thyself: every heart vibrates to that iron string. Great men have always done so...betraying their perception that the absolutely trustworthy was seated at their heart, working through their hands, predominating in all their being. Act singly, and what you have already done will justify you now.

SelfReliance, by Ralph Waldo Emerson

America's foremost 19th century poet and essayist would no doubt applaud the late 20th century workplace, where a new self-reliance is emerging, shaped by profound workforce megatrends. HR professionals planning for the next decade should understand that this new employee independence could dramatically affect productivity and competitiveness. They will need to help their organizations take steps to channel this new individualism to improve corporate, as well as personal, performance.

Ten "megatrends" are behind the trend towards individualism: individual responsibility; continuous restructuring; the regulatory push for portability; decision devolution; desktop technology; Generation X; the importance of skills; small offices/home offices; the decline of labor unions and, the graying of the workforce.

Part One of the following article describes these ten megatrends. Part Two offers insight into how they will affect the workplace.

The Megatrends

TREND #1

INDIVIDUAL RESPONSIBILITY

The new message is clear -- employees are on their own

For some time now, managers have been urging employees to assume greater responsibility—for their careers, their development, their health care and their retirement security. While the old corporate paternalism fostered dependency, the new message is unmistakable: for most benefits and other choices, “You’re on your own.” Workers are correctly interpreting this directive as a call to be more independent.

Cisco Systems Inc. vice president for human resources Barbara Beck articulates employers’ expectations: “The onus is on the employee. It’s a shift of responsibility from the manager to the employee to take more ownership for the job, learning and career.

TREND #2

CONTINUOUS RESTRUCTURING

Permanent job security no longer exists

Competitive pressures are forcing even the most successful firms to downsize. Citicorp, for example, revealed plans last year to eliminate 9,000 jobs to meet competition in core lines of business. This followed Woolworth's cuts of 9,200 and preceded Levi Strauss' layoff of 6,400. Chase Manhattan, J.C. Penney, Donna Karan and Boeing, among others, also have announced restructuring initiatives that are expected to reduce headcount.

workers are accepting that on-going job cuts will remain a way of life and that permanent job security no longer exists. They are beginning to understand that a volatile global economy puts a new spin on the American ideal of the "rugged individualist" — rapid change puts their careers in their own hands.

An unprecedented wave of mergers and acquisitions is presenting yet another threat to jobs. In 1997, a record \$1 trillion in mergers took place involving American companies. While the biggest takeover was Worldcom's \$36 billion bid for MCI, multibillion dollar deals occurred in nearly every industry, including banking, accounting, aerospace, paper, radio and TV, insurance, health services, oil and gas and utilities.

Separate \$9 billion bids by Compaq for Digital Equipment and Computer Associates for Computer Sciences portend ever-increasing takeover activity in 1998. Aetna CEO Richard Huber says, "The whole private sector of our economy had undergone a truly unbelievable transformation."

In the current economy, sports superstars are serving as role models for new individualists, particularly Generation Xers. As a result, some may emulate the "free-agency" system, associating a long-term commitment with indentured servitude. Wharton School's Peter Cappelli likens the new attitude to "serial monogamy," because of the reasonable though temporary, attachment of new individualists.

TREND #3

REGULATORY PUSH FOR PORTABILITY

New regulations encourage individualism

While Depression-era laws strengthened labor unions and workplace on-the-job protections, new government policies are under development that will loosen employee attachments and cushion job-to-job moves.

Initiatives at the federal and state levels will reinforce the new individualism. The 1996 Health Insurance Portability and Accountability Act (HIPAA) codified health insurance portability, freeing employees from so-called “Job Lock.” 401(k) and similar defined contribution plans have made pensions portable and, like HIPAA, reduced dependence. Possible Social Security privatization that would permit personal investment accounts of 2 percent of wages would further individualize retirement planning.

Similarly, proposed amendments to the 1938 Fair Labor Standards Act will create greater work-week flexibility, allowing some workers to choose comp-time in lieu of cash overtime and others to adjust schedules within an 80-hour two week period. Flex-time will permit individuals to personalize schedules, fostering greater independence.

TREND #4

DECISION DEVOLUTION

Decentralization encourages independent thought

The steady drift of decision-making away from central bureaucracies also is empowering individuals. In their book, *The One to One Future*, authors Don Peppers and Martha Rogers assert that “Smaller, leaner, faster-growing organizations get the jump on the giants not just because they are quicker and more flexible, but also because they are so much closer to their customers.”

Flattening organizations by squeezing out layers of middle management can cut costs, boost productivity and improve market responsiveness. But autonomy is the flip-side—enabling employees to think and act independently of headquarters management.

TREND #5

DESKTOP TECHNOLOGY

Technology enables mass customization

Perhaps the most dramatic shaper of the new individualism is the wave of new employee self-service (ESS) technology that will place more power than ever on the desktop. As HR applications move off legacy systems to client/server and Windows NT technologies, individual employees will manage their own HR profiles with decentralized access and processing.

“Narrowcast” technologies enable personalized Web information and accommodate event-driven, Internet-based workflow transactions. The result will be a personal HR information system, based on “best source” data maintenance and employee choice.

Browsing Internets and Intranets, employees will make their own choices about benefits and training, update their information, record time and attendance and generally take responsibility for policies headquarters once controlled. Networked directly with their managers, many employees will create autonomous virtual HR.

TREND #6

GENERATION X

Individualism appeals to Generation X

One significant differentiator has characterized the entry of Generation Xers into the workforce: they are the first postwar generation that does not anticipate career jobs. Indeed, many perceive employment as transactional; commitment is temporary and provisional. But, this is true only so long as the arrangement works for both sides.

Techno-literate, twenty-somethings are decidedly egalitarian. Putting less value on job security, they expect opportunities for personal growth and creativity. They tend not to be workplace joiners, identifying instead with personal networks of friends and family.

TREND #7

SKILLS ARE KING

Skills will differentiate employees

People are increasingly becoming the only source of sustainable competitive advantage. Intellectual property has emerged in the late 20th century as the most important asset in the knowledge economy. But educational attainment, skills and problem-solving abilities are uniquely personal—and more important than tenure, location, group identification and pedigree.

Workers will be attached, therefore, not to a particular job or employer but to what they know. As technology eliminates distance and renders most other assets commodities, brainpower will differentiate; skills will empower the individual.

TREND #8

SOHO - SMALL OFFICE-HOME OFFICE:

Contingent work encourages individualism

The inexorable trend toward outsourcing, consulting, virtual office, independent contracting, part-time and temporary work will create a vast army of individualists. Already one-quarter of all workers are employed in arrangements other than as regular full-time employees, according to the Upjohn Institute. An almost infinite variety of “detached” workforce arrangements will contribute to the new self-reliance. This free-lancer mentality holds great appeal to the new individualists.

Self-employment has become a redoubt of new individualism. Carol D’Amico of the Hudson Institute estimates that some 50 million workers today are self-employed, a figure sure to grow exponentially in the new economy. On the small office front, it is not surprising that 54% of all workers are now employed in small businesses.

TREND #9

DECLINE OF LABOR UNIONS SHARE

Unions are losing their appeal

If present trends continue, the share of the U.S. private sector workforce belonging to unions will dip below 10 percent at the start of the 21st century, remarkably about the same as it was at the start of this century. While the labor union movement is viable, its trademark group adversarial style may be anachronistic. Workers prefer to peg wages and working conditions to individual, not collective, performance.

TREND #10

GRAYING OF THE WORKFORCE

Older workers will seek independence

The looming insolvency of Social Security and Medicare, combined with shortages of skilled workers, will encourage seniors to remain in the labor force. “Generation V” babyboomers will have retired from their first or second careers and place high priority on work-life balance. They can be expected to form a large cohort of the new individualists—skilled, motivated and independent.

Harnessing the New Individualism

HR professionals should recognize that these megatrends create a need for innovative human resource management solutions. With workplace self-reliance here to stay, leveraging the potential of the new individualists will be critical.

The 21st century strategies HR professionals will need to get people working together for common objectives are not entirely clear. One thing is certain, however, the old theories won't work. *Across the Board* editor James Krohe Jr. says, "None of the old models for manager-employee relations fit the new employment paradigm. The old cog on a wheel is being replaced by the artisan, a worker who is multiskilled, self-directed, entrepreneurial. A creative shop filled with such whizzes shouldn't be organized as if it were a white-collar factory."

The following are some suggestions for ways employers can harness the new individualism:

Provide for Work-Life Balance

“Quality of life will become the controlling personnel issue of the 21st century—much more important than income,” write authors Peppers and Rogers. For Generation X and the other new individualists, quality means time. Flexible scheduling. Virtual office. Telecommuting. Child care.

Indeed, the market has already made work-life balance a prerequisite. Growing skills shortages and the inability to attract longer-term commitments from the best performers force companies to offer flexibility. The *Wall Street Journal*'s Sue Shellenbarger cites Silicon Graphics, Bristol-Myers Squibb and Boeing as models of nontraditional work arrangements. She says the new employer-employee contract comes with a rider: “Workers are taking charge of their work style. They’re saying, ‘I’ll get your job done but I’ll do it on my terms.’”

It’s estimated that 63% of mothers with children under the age of five are employed. And with some twenty million pregnancies expected in the workforce between now and 2010, employers will need to share responsibility for child care. This will mean flexibility but also accommodation: quality on-site child care as well as referral services. Paid maternity leave also will be essential to retain new mother-individualists.

Invest in Human Capital

Skills obsolescence in a fast-lane economy is the new individualists' greatest concern. These individuals embrace lifelong learning because they believe in "self-based" career security. And they expect employers to share the responsibility for continuing education not only by investing in training, but by actively encouraging it.

Motorola sets today's education and training pace. The company offers a wide variety of courses at universities and through consultants, Sabbaticals are also possible. Motorola University exists as a dedicated education resource for employees. And every employee, including the CEO, is required to complete at least 40 hours of training per year.

Hewlett-Packard, another leader in education and training, hosts open houses inside learning centers and sends direct mail to employees' homes. Most important, H-P recognizes managers whose employees attend training classes. These firms realize that in a global, high technology economy, companies are what they know.

Johnson & Johnson, the New Brunswick, New Jersey, health and personal products firm, boasts an extraordinary program of over 150 education and training offerings for its 42,000 U.S. employees. Human Resources vice president Mike Carey endorses the shared responsibility strategy, saying that while J&J deploys a vast network of opportunities, including some fifteen satellite locations, "people are responsible for their own development."

There is always the risk, of course, that companies will invest in skills only to have independent-minded employees bolt to the competition. In fact, the opposite is true: their commitment can be earned only by investing in them.

Communicate Constantly and Two Ways

Self-reliant employees crave dialogue. To them, communications measure openness. HR professionals need to use all the technology resources at their disposal to talk and listen to their employees. Apple co-founder Steve Jobs says that, “you’d better have an open communication policy so that people can know just about everything, otherwise they will make important decisions without the right information.”

The CEOs quarterly letter or canned video will soon go the way of the carrier pigeon. Employers need new networking channels to build a sense of community. The Intranet, for example, promises almost daily conversation with employees.

New York insurance leader Metropolitan Life places great importance on employee communications. Metropolitan hopes to use the Intranet to “build in connectedness,” says HR executive John Sherman. The company’s “Team for the ‘90s” aims to strengthen cross-functional communications. Town meetings, a week-long corporate information conference and other on-line exchanges keep communications lines open.

But Metropolitan does not rely solely on band-width. Sherman explains that personal Manager-Employee communication is one of their highest priorities, based on the company’s belief that “employees want to hear it from the immediate manager. What to say? Focus on business performance, advises AT&T’s Dr. Carol Delacruz, HR director, Critical Issues. “Employees are highly motivated by understanding the business strategies and how they can contribute to achieving them.”

Eastman Kodak’s Joe Laymon recommends customizing employee communications. The company’s “consciously designed communications strategy” for employee benefits, he says, became the foundation of a repositioning of its value proposition for 90,000 employees.

Involving top management is essential to build a sense of community and help individual employees identify with common corporate values. International Paper CEO John Dillon uses email for messages to employees on performance and strategies. And J&J CEO Ralph Larsen is beamed around the world to “bring Ralph Larsen and his message to the employee” in a more personal way, says Carey.

Active listening must be an integral part of the strategy. Apple’s Jobs explains the need for dialogue: “If there is someone really good four levels down—and you don’t listen to them—they’ll go somewhere where they’ll be heard.” In ranking Southwest Airlines number 1 on its Top 100 list of best companies to work for in America, Fortune magazine quoted a typical employee:

“They empower you. They use your ideas to solve problems.”

Give Feedback

Generation X and their fellow independents want regular feedback. Abhorring micromanagement, they prefer to be coached. Most welcome recognition as well as constructive suggestions.

Put the annual performance review on the endangered species list. If managers plan only annual and formal feedback, they will not retain their best employees. “Just do it,” advises AT&T’s Cathy Hagen, HR strategic partner, on talking to employees about performance. “The specific appraisal instrument is not important.” New individualists like on-going or ad hoc informality — teachable moments aimed at their personal growth.

Feedback is a critical part of International Paper’s HR management program. Learning & Development team leader P.J. Smoot explains that at her company, “Feedback is on-going; daily.” International Paper’s 80,000 employees are encouraged to actively solicit guidance, says Ms. Smoot, because “coaching is really on-going discussions and reprioritization of activities.”

Mentoring takes coaching to the next level. A number of companies are experimenting with innovative approaches to creating one-to-one dynamics, especially for new employees. It is particularly useful for breaking down invisible barriers in today’s fragmented workplaces. New Jersey-based Allied Signal Inc., for one, recently launched a program for 1,000 of its college recruits, pairing them with senior managers. Even CEO Larry Bossidy mentors, meeting monthly and sometimes over lunch.

Accounting giant Coopers & Lybrand created C&L 100, a group of high potential employees, mostly women and minorities, who are matched with senior partners who share accountability for their progress. Reflecting new individualist thinking, Al Koeppe of new Jersey utility Public Service Electric & Gas, says mentoring programs are needed today because “people don’t buddy up like they used to.”

Create a Sense of Ownership in the Business

Yesterday's middle-manager cadre bridged employees and senior management. It's today's missing link.

Power sharing is one way to create a sense of ownership; letting people contribute so that they can see the connection between what they do every day and the business results. Apple's Steve Jobs: "When your primary product is bits on a disk or on a wire, your primary assets are human capital, not financial capital. You must offer people the ability to make larger decisions and to be part of the core company." Jobs continues, "The whole power structure of an intellectual property-driven enterprise of good people is turned upside down. The CEO has the least power and the people with the most power are the hotshot individual contributors."

Self-directed employee involvement teams offer great promise to connect employees to the company's larger vision. Team-based and cross-functional partnering link participants across jurisdictional lines and create a much-needed sense of community.

International Paper is strongly committed to company teamwork. Under its "work systems" concept, "Teams are the decision-makers," says P.J. Smoot. And J&J's Carey explains that creating a sense of ownership and interdependent partnering is a company goal: "We try to include people—we give them meaningful responsibilities early in their careers." The approach flows from the company's *Credo*, he says, "We make people feel like they're part of something and that they're included."

AT&T's Cathy Hagen maintains that pay is only part of the equation: "The biggest piece is giving someone work that they enjoy doing; that they feel they can contribute to. You have to allow people to contribute."

Stock ownership gives employees a special stake in the company's future. At Silicon Valley's Cisco Systems, for example, all new hires receive stock options and become fully vested after four years. Procter & Gamble, with America's oldest profit-sharing plan, intends to give its 106,000 employees worldwide options to buy up to 100 shares each of company stock. Seventy-five percent of employees already own shares. And Portland, Maine-based UNUM Corporation has granted its employees 150 stock options, redeemable if the company reaches its 1998 business goals.

Microsoft and General Mills are among Fortune's 100 best and offer stock options to all employees. And Johnson & Johnson made this year's top 100 list partly as a result of its 75% company match of employee contributions to the 401(k) plan. These companies recognize that creating a sense of ownership simultaneously empowers and connects employees.

Create a Questioning Culture

Hierarchical command and control rules can straitjacket new individualists. Participatory democracy has made its debut in the workplace. While the paradigm need not be anarchy, 21st century worker-citizens expect to be heard—and to contribute. HR professionals need to encourage managers to welcome challenge.

In their new book, *The Individualized Corporation*, Sumantra Ohoshal and Christopher Bartlett cite CEO Percy Barnevik of ABB, the \$35 billion power systems company: “I wanted strategy to become a process constantly open to challenge.”

Intel CEO Andy Grove gives the benefit of the doubt to employees closest to the technology or the customer. He accepts that this often means “supporting ideas that challenge the company’s entire existing approach.” For Grove and Intel, it’s a matter of culture: “We have a culture where ideas battle independently of rank. It’s collegial. We have given it a name—constructive confrontation. We tried to systematize that culture”

AT&T’s Delacruz also affirms the approach: “You have to establish a culture that encourages open communications. If people are to be empowered then you deliberately combine senior people with others in meetings and committees and you solicit ideas. The senior team and managers must demonstrate that they value people’s ideas.”

Reward Individual Performance:

Recent workforce surveys document growing unhappiness with today's compensation systems. Sibson and Company's Peter LeBlanc says US workers want rewards to be focused on the individual and demonstrate a "deep, profound dissatisfaction with the way their performance is evaluated and rewarded." The study shows that "workers prefer to be rewarded for their individual contributions.

International Paper's P.J. Smoot believes a tight labor market will drive new approaches to pay. "Compensation systems are working well for results of thirty years ago. You need the burning platform to get change and we are seeing it on the salary side. Systems are not yet aligned with the philosophy of 'take control of your own careers.'"

Companies are responding to pay-for-performance expectations. Cash incentives and stock options, for example, recognize superior individual contribution. Says AT&T's Hagen, "We were getting away from the individual. Now more pay is based on performance as an individual."

CONCLUSION

Creating a community of interests among workforce 2000 individualists may prove to be HR's most daunting 21st century challenge. But new individualists of all ages promise to be the most talented workforce ever. Harnessing their potential to improve productivity and competitiveness will require new strategies—not to reinvent conformity but to leverage individuality for everyone's benefit.

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