

LAST WORD: IS HR READY FOR AN ECONOMIC DOWNTURN? / PAGE 34

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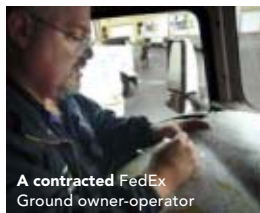
## MANAGEMENT

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### OutFront

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CAROLYN KASTER/AP

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#### WORKFORCE SHIFT

**5** The workplace will see a dramatic change as BLS reveals 10-year projection.

**crain**

Crain Communications Inc

# Culture CRASH

IN EXECUTING A CORPORATE OVERHAUL,  
DID INTEL LOSE WHAT MADE IT SUCH A  
CELEBRATED PLACE  
TO WORK?

By Ed Fraenheim

INTEL PORTRAYS its dramatic restructuring over the past 20 months or so—which includes some 10,500 job cuts—as a corporate upgrade. Done in the face of falling revenue and market share, the reorganization has made the computer chip giant leaner and more competitive, Intel says. Better financial performance and new, groundbreaking technology are apparent proof of the restructuring's success.

But behind this rosy picture are signs the overhaul included glitches that may cause Intel problems down the line.

What's at stake is the potential loss of an Intel that has long been known as a place that prizes fresh ideas, frank talk and employee engagement. It is a company that for years could be found among *Fortune's* best places to work. But now a number of former Intel employees say the firm botched the restructuring

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“The managers did everything on paper by the numbers. There were no discussions.”

—KEVIN GAZZARA, former program manager in Intel's learning and development group

## CLAMPING DOWN ON RACE BIAS



COURTESY EEOC

Charles Daniels, former Lockheed Martin employee

With settlement in Lockheed Martin case, EEOC puts employers on warning about tolerating racial discrimination.

By Mark Schoeff Jr.

A recent settlement of a racial discrimination suit by a giant military contractor demonstrates a federal agency's emphasis on that area of job bias and its intention to make public examples of the companies it targets.

The Equal Employment Opportunity Commission announced January 2 that Lockheed Martin agreed to pay \$2.5 million to end a suit brought by Charles Daniels, a black avionics electrician who says he was harassed and threatened when he worked at the company from 1999 to 2001.

The agency said that the award was the biggest ever obtained on behalf of an individual

continued on page 3

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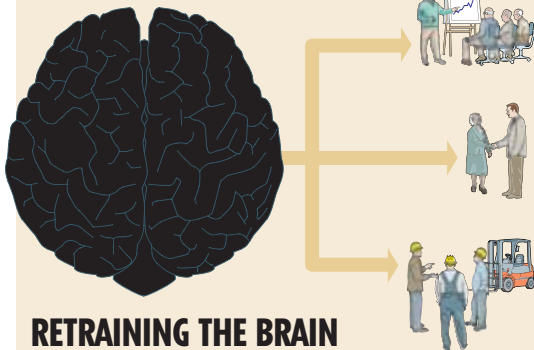
### GETTING LOST IN THE SHUFFLE

**1** Intel's recent corporate overhaul may have badly damaged morale, employee development and the Silicon Valley computer chip maker's vaunted culture of innovation—offering a cautionary tale of how employers should handle workforce issues amid a major transformation.

Stories by Ed Fraumenheim

### Special Report

#### TRAINING & HR TECHNOLOGY



### RETRAINING THE BRAIN

**19** As aging baby boomers look to keep on working past the traditional retirement age, the producers of brain fitness software—products aimed at improving memory and keeping the mind razor-sharp—are seeing plenty of new opportunities to pitch their wares to employers.

Stories by Ed Fraumenheim

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# OutFront

News & trends in workforce management

## ► DISCRIMINATION

# EEOC LOOKS TO SEND MESSAGE WITH RACE-BIAS SETTLEMENT

CONTINUED FROM THE COVER

in a racial discrimination case.

In addition to the payment to Daniels, Lockheed dismissed or agreed not to rehire the team leader and four co-workers who verbally abused him. The company also acquiesced to a special anti-discrimination training program at its aircraft logistics centers.

The size of the settlement wasn't the remarkable part of consent decree, according to Gerald L. Maatman Jr., a partner at Seyfarth Shaw in Chicago. (The EEOC was able to win more than eight times the federal \$300,000 damages cap because Daniels also pursued his own suit against Lockheed.)

What stands out is the EEOC's high-profile rebuke of Lockheed Martin and the fact that it mandated a personnel decision. "This is an example of the EEOC inserting itself into what it considers an egregious case," Maatman says.

Six years of investigation and legal proceedings resulted in an outcome that likely will grab the corporate world's attention. "The EEOC hopes the settlement will send a message that racial harassment and discrimination will not be tolerated," says William Tamayo, EEOC regional attorney for San Francisco.

The company, however, accuses the EEOC of distorting the facts of the case, especially racial epithets and threats that it says weren't mentioned in internal investigations. Lockheed spokesman Joe Stout says the consent decree is not an admission of guilt.

"We did not settle because we felt we had liability," Stout says. "If this had proceeded to trial, the facts would have substantiated that the company took the matter seriously, investigated and implemented appropriate remedial actions given the facts that had been reported."

The case arose despite Lockheed's no-tolerance policy on racial discrimina-

tion. The trouble started when one of Daniels' colleagues lashed out against him following a decision by South Carolina to remove the Confederate flag from its Statehouse. The situation escalated to death threats as the team moved from Florida to Washington state and Hawaii servicing military aircraft.



Charles Daniels, a former Lockheed Martin avionics electrician, will receive a \$2.5 million settlement in his racial discrimination case against Lockheed. The award is the largest settlement ever obtained by the EEOC for a single person in a race discrimination case.

COURTESY EEOC

Lockheed HR officials waved off the incidents—saying, "Boys will be boys"—and warned him not to prosecute the company, according to Daniels. They also continued assigning him to the same team and eventually laid him off.

"They really just want to see if they can chase you away," Daniels says. "I really didn't expect [justice] after Lockheed Martin told me, 'We never lose.'"

Stout asserts that Lockheed embraces diversity. "It is one of our core values," he says. "We spend a great deal of time educating our workforce about it."

Many other companies likely will tangle with the EEOC over racial discrimination. The number of charges filed with the agency has risen from 3,075 in fiscal year 1991 to about 7,000 last year. In February 2007, the agency launched a national education and enforcement campaign to eliminate racial bias.

The agency wants companies to respond to racism within their own walls, Maatman says. "Employers that don't have internal systems to allow employees to vent, to grieve—that's a special concern to the EEOC," he says.

wfm



# on the web

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January 14, 2008

## [www.workforce.com/08/01/online1](http://www.workforce.com/08/01/online1) **Does your HR job stink, or shine?**

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## [www.workforce.com/08/01/online2](http://www.workforce.com/08/01/online2) **A lukewarm reception**

Although employers will soon have protection against being dragged into court on charges that they didn't select the safest annuity plan available for their employees doesn't mean that they'll now embrace annuities as a distribution option. The problem is becoming clear that too few of the 52 million people who have defined-contribution accounts want to put their retirement savings into annuities.

## [www.workforce.com/08/01/online3](http://www.workforce.com/08/01/online3) **'Clear, concise and understandable'**

Despite the Securities and Exchange Commission's requirement that companies disclose executive compensation in language that is 'clear, concise and understandable,' some believed the proxy statement disclosures for the first year under the new rules were anything but straightforward. The SEC issued a report that should help companies spell it out in 2008. Here are the highlights of how it can be done better.



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## OutFront



*Until specific regulations are formalized, the situation will be ambiguous. "That puts a big burden on employers. The opportunities for abuse are substantial."*

—Margaret Hart Edwards,  
attorney, Littler Mendelson

### ►EMPLOYEE LEAVE

## EMPLOYER FMLA FRUSTRATIONS MAY RISE WITH LAW'S EXPANSION

**E**mployer frustrations with a federal employee leave law may be exacerbated as it expands for the first time since its enactment in 1993.

A bill stalled over Iraq policy but expected to pass enables spouses, children, parents or next of kin to wounded military service personnel to take 26 weeks of unpaid leave to care for their loved one. That's more than double the 12 weeks of time off for the birth or adoption of a child or the sickness of a close relative provided currently under the Family and Medical Leave Act.

The expansion idea drew bipartisan congressional support because it targets a politically popular constituency—military families—and emanated from a national commission chaired by former Sen. Bob Dole and former Health and Human Services Secretary Donna Shalala.

Companies won't have a problem with the straightforward mandate related to relatives of wounded soldiers, but other provisions are murky, according to attorney Margaret Hart Edwards of Littler Mendelson's San Francisco office.

For instance, language in the bill allows 12 weeks of unpaid leave for "any qualifying exigency" that arises from a spouse, son, daughter or parent being on active duty or called to active duty.

The appropriate circumstances would have to be determined by Department of Labor regulations. Whether companies can require that an employee certify a relative's active-duty status also is subject to the regulatory process.

Until rules are promulgated, the situation will be ambiguous. "That puts a

big burden on employers," Edwards says. "The opportunities for abuse are substantial."

Relatively few people would qualify for leave to care for an injured service member.

Department of Defense statistics show that 28,661 soldiers have been wounded in Iraq and 1,840 in Afghanistan. But those who are affected by a relative being called up for duty could total hundreds of thousands.

Employers voiced concerns about such FMLA growth at a congressional hearing this fall. Business advocates didn't oppose extending FMLA for military families, but they urged Congress to reform the law first.

A Department of Labor survey about FMLA last year generated 15,000 comments, many from employers complaining about unscheduled intermittent leave and the definition of a serious health condition.

Resistance from corporate America made passage of the extension provision difficult, adding a further frustration for families who already face sometimes horrific recovery journeys, according to an advocate for broader leave laws.

"This was significant and historic," says Kate Kahan, director of work and family programs at the National Partnership for Women and Families. "On the other hand, it's only an extra three months of leave. This is just a small step in the right direction."

After claiming a majority in Congress, Democratic leaders have introduced a number of FMLA expansion bills, including some for paid leave.

"We're optimistic that all of them are going to be moving in a more significant way [in 2008]," Kahan says.

Edwards says that FMLA expansion is "inevitable" because "that is what American workers want." She cautioned lawmakers to ensure that new rules are easy for employers to implement.

—Mark Schoeff Jr.

## OutFront

### ▶ LABOR PROJECTIONS

## BLS: HISPANICS, NURSES POISED FOR BIG GAINS IN U.S. WORKFORCE

**A**nthony Olvera's career prospects are promising. He is young, Hispanic and has five years of nursing experience—characteristics that bode well in an environment where the workforce is aging rapidly, there's a dearth of skilled talent and diversity is on the rise.

Olvera's demographics are a virtual mirror of the Bureau of Labor Statistics' latest workforce projections and predictions through 2016. The Hispanic workforce will climb by 30 percent by that year, while nurses make up the largest projected increase of any occupational

group tracked by the BLS.

Overall, the civilian labor force will increase by 12.8 million, bringing the number of workers to 164.2 million by the middle of the next decade. While the figure appears to be a healthy increase, longtime HR executives may recall that 17.5 million workers entered the labor force between 1996 and 2006.

"It's clear that the workforce growth rate is decelerating," says Mitra Toossi, an economist at the BLS in Washington. Indeed, the current rate of growth is 8.5 percent, significantly less than the 13.1 percent rise in the previous decade.

What's more, the portion of the population that is actively employed or seeking employment—known as the labor force participation rate—is declining and is expected to level off at 65.5 percent by 2016, Toossi notes. By comparison, workforce participation was at 67.1 percent in 1997.

Toossi attributes this to several fac-

tors, including an aging population.

"The reality is that as workers get older, they begin to drop out of the labor force," Toossi says. "When that happens, participation rates take a hit."

The number of workers 55 and older is expected to reach about 23 million in less than a decade. This represents a growth rate of 46.7 percent, which is almost 5.5 times the projections for the overall labor force.

Yet employers shouldn't worry about an overnight exodus of workers, says Bob Morison, director of research at the BSG Concours Group, a consultancy based in Kingwood, Texas. Many baby boomers—people born between 1946 and 1964—intend to remain active, but it will be on their terms. In fact, about three-quarters of baby boomers say they plan to work at least part time in their retirement years, Morison says.

Employers also face a declining number of workers between the ages of 16

## 5 Questions

**TIANE MITCHELL GORDON, senior vice president for diversity and inclusion, AOL**

## DIVERSITY'S STRATEGIC ROLE

**Workforce Management:** What is the significance of your title change?

**Tiane Mitchell Gordon:** I think it absolutely sends a signal. It is a strategic role that says it's not just about what traditionally people think about when they think about diversity and inclusion, which is the workforce aspect of it. It really is about looking at how we can influence and impact our business from a different lens perspective to understand how as a global company we have to be more culturally aware.

**WM:** What does your reporting directly to chairman and CEO Randy Falco mean for diversity at AOL?

**Gordon:** It really demonstrates the leadership commitment to this being a core, fundamental way of thinking and mindset for the organization. Our leadership very much understands the potential of emerging markets, the insight that being an inclusive and diverse environment brings and how to leverage that ... in terms of helping us achieve our business objectives. Part of [a manager's] bonus is tied to creating a diverse and inclusive environment.

**WM:** How is diversity a strategic imperative?

**Gordon:** I'll use the example of the AOL China portal. As we look at emerging markets outside the domestic U.S., we want to make sure that our products are culturally relevant and appropriate and sensitive to the new consumers that we're mar-

keting to. We went to our Asian interest group to use them as a focus group to help launch, to test products. We have our own in-house lab, if you will, to do research. Not only do they bring the perspective of being concerned about delivering a great product from an AOL perspective, they are looking at it from a consumer's eye.

**WM:** How does diversity increase Internet penetration in racial and ethnic markets?

**Gordon:** If you've got a compelling product and you look at our AOL Black Voices and AOL Latino ... it's a marketplace that says to those communities of difference, "We understand your consumer buying habits and we understand your programming habits and we can serve up to you exactly the content, offerings, advertising that meet your needs."

**WM:** Why do you think that the diversity function should separate from HR?

**Gordon:** A lot of companies have always focused on diversity as an HR perspective. You get focused on only looking at HR policies and practices. There's a different lens you can bring from the outside of HR where you can comment on practices and policies that may not be helping to drive the business if it's supposed to be a more global company. You can bring that outsider's perspective.



An inclusive workforce is integral to strong business decisions and financial results, according to **Tiane Mitchell Gordon**. As senior vice president for diversity and inclusion at AOL, she has an opportunity to put her ideas into practice. A 12-year AOL human resources veteran who previously held a vice president title, she was promoted to senior vice president last summer. She discussed her philosophy with *Workforce Management* staff writer Mark Schoeff Jr.

## OutFront

and 24. That segment of the labor force will fall about 2 percentage points to 18.8 percent by 2016. Yet the dwindling rate of young workers is not entirely bad news, Toossi says.

"Many of these young individuals are not working because they are busy pursuing an education," she notes.

The BLS also projects a more diverse workforce driven by tremendous population growth among Hispanics. This seg-

**587,000** Number of new jobs to be added for registered nurses between 2006 and 2016

**3.1 million** Approximate total number of RN jobs in the U.S. labor force by the year 2016

Source: Bureau of Labor Statistics

ment of the labor force will reach almost 27 million by 2016—a 30 percent increase over 2006.

It's also a relatively young workforce, meaning companies will face unique challenges, experts note.

Nurses will be among the most sought-after employees. Some 587,000 new jobs will be added for registered nurses between 2006 and 2016, representing the largest increase of any occupational group tracked by the BLS. There will be almost 3.1 million total jobs for RNs by 2016.

Olvera, an RN in a dermatologist's office in Los Angeles, says he entered the profession on a lark five years ago and will remain in the field because of a desire to help people and the job security offered by a career in nursing.

"I love nursing," he says. "I would never consider leaving it."

Employers will have to work hard to hold on to skilled talent like Olvera, says Cheryl Peterson, senior policy analyst for the American Nurses Association in Silver Spring, Maryland.

She recommends several measures, including competitive salaries and pension benefits, to retain workers.

"Nurse turnover is particularly painful for employers," Peterson says. "Once one leaves, it is difficult to find a replacement because there just aren't enough trained individuals out there."

—Gina Ruiz

## LEGAL BRIEFINGS

### DISCUSSING HEALTH PROBLEM TRIGGERS FMLA

JAMES SARNOWSKI, former service manager for New Jersey limousine company Air Brook, was fired eight days after he told his supervisor that he might need a second coronary artery bypass surgery. He had already undergone a quintuple coronary artery bypass surgery in October 2002, for which he took six weeks of leave from work. In December 2002, Air Brook gave Sarnowski a written warning regarding his work performance. Citing performance problems, Air Brook fired Sarnowski in April of 2003—shortly after Sarnowski told his supervisor that he might need an additional six weeks of leave for another heart surgery.

Sarnowski brought suit in the U.S. District Court for the District of New Jersey alleging that Air Brook interfered with his FMLA rights, but that court dismissed his claims.

The U.S. Court of Appeals for the 3rd Circuit reversed the district court's grant of summary judgment in favor of the employer on Sarnowski's FMLA and state law claims under the state Law Against Disabilities. Immediately before his termination, Sarnowski made it clear to his employer that his health problems were continuing. This was sufficient to satisfy the notice requirement of the FMLA, the 3rd Circuit held, and thus Air Brook could not interfere with his FMLA rights.

The 3rd Circuit also held that Sarnowski presented a genuine issue of material fact sufficient to survive summary judgment on his state Law Against Disabilities claim. *Sarnowski v. Air Brook Ambulance Limousine Inc.*, 3d Cir. No. 06-2144 (12/12/07).

**IMPACT:** Employers are advised that employees, to secure the protections of the law, need not specifically mention FMLA.

### BONUS-PLAN CONSIDERATION OF PROFITS

RALPHS GROCERY CO. implemented an incentive compensation plan where eligible employees could receive supplemental sums over and above regular wages based on profits from its stores. The employer's incentive plan identified a bonus pool derived from each of its stores' net profits, which included offsets of store operating expenses for workers' compensation costs and cash losses.

A produce manager for Ralphs filed suit and alleged that the bonus plan violated the California Labor Code and regulations that prohibit an employer from shifting certain of its business costs to employees. Specifically, California law precludes an employer from using employees' wages to shift business losses to employees—or to make employees the insurers of such losses—and from collecting or receiving any part of paid wages and deductions from employee earnings to cover costs.

The California Supreme Court ruled that the Ralphs incentive compensation plan did not violate these laws. The court reasoned that Ralphs did not take any unauthorized deductions from promised wages. Rather, the supplementary compensation that Ralphs promised under the bonus plan was intended to promote and reward employee teamwork that produces a net profit for the store as a whole. Furthermore, nothing in California law prohibited an employer from offering its employees, over and above their guaranteed base wages, supplementary incentive compensation on the basis of store profits that remain after legitimate store expenses, including the costs of workers' compensation, have been subtracted from store revenues. *Prachasaisoradej v. Ralphs Grocery Co. Inc.*, Cal. Supreme Court, Nos. S128576 (8/23/07).

**IMPACT:** Employers should proceed with caution when making deductions from employees' wages. However, California employers may use profitability measures that take into account legitimate business expenses in the calculation of employee bonus compensation. In all cases, employers should give careful consideration of applicable regulations, cases, laws and statutes before adopting compensation plans that calculate benefits based on overall profits.

D. DIANE HATCH, PH.D., is a human resources consultant in San Francisco. JAMES E. HALL, MARK T. KOBATA and MARTY DENIS are partners in the law firm of Barlow, Kobata & Denis, with offices in Los Angeles and Chicago.



## OutFront

## ► CLASSIFYING WORKERS

IRS DEALS BLOW  
TO FEDEX ON USE  
OF CONTRACTORS

A recent setback to FedEx on the independent contractor front could trigger a broader IRS review of the way companies classify drivers.

Many firms define drivers as independent contractors, says David West, director of the Seattle-based Center for a Changing Workforce, and those companies could find themselves on the hot seat in the wake of a preliminary finding by the IRS that owner-operators at FedEx's ground delivery business in 2002 should be reclassified as employees.

"It's possible the IRS will look at these other cases as well," West says.

In a public filing December 21, FedEx said the IRS had tentatively concluded that FedEx Ground's pick-up and delivery owner-operators should be reclassified as employees for federal employment tax purposes. FedEx also said it may have to pay \$319 million plus interest in tax and penalties for 2002 and that the IRS is auditing the company on similar worker classification issues during a period from 2004 to 2006.

The FedEx disclosure is part of a broader debate about the way firms farm out work to independent contractors. Companies can create a more flexible workforce through the use of contractors, in addition to being able to avoid paying employment taxes. But worker advocates argue that such arrangements often amount to shams that let compa-

nies shirk both taxes and their responsibilities to workers who actually are employees under the law.

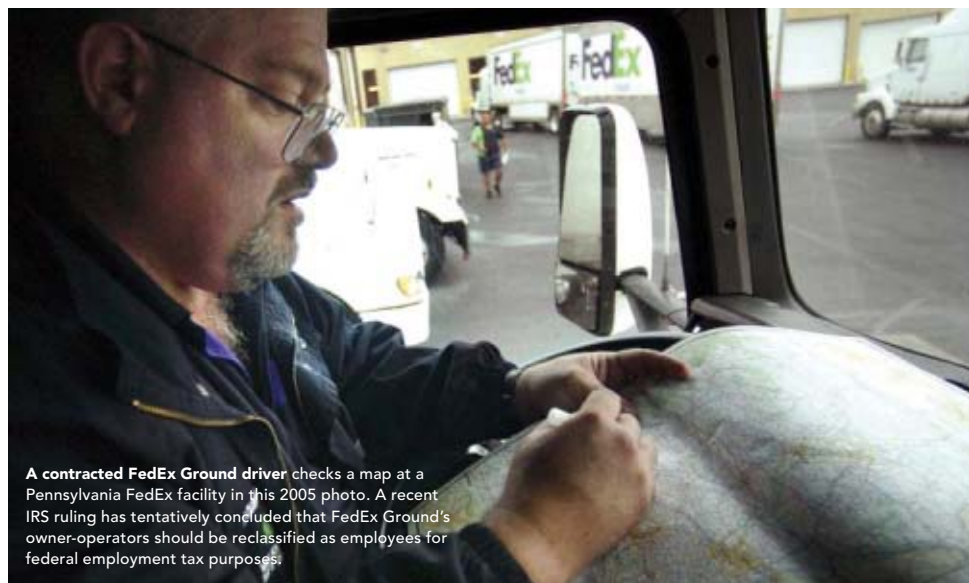
The FedEx news is likely to have an impact on the practice of using independent contract workers, says David Reis, head of the employment law group at San Francisco-based law firm Howard Rice Nemerovski Canady Falk & Rabkin. An understanding of the consequences of classifying workers as independent contractors has been "somewhat lack-

suits challenging its treatment of FedEx Ground owner-operators. In its recent public filing, FedEx said the California Supreme Court has refused to review an appellate court decision upholding a trial court ruling that found a number of California contractors should be reimbursed as employees for some expenses.

But FedEx is confident it will prevail in the IRS case. FedEx spokesman Maury Lane says FedEx Ground has been operating under a "settlement agreement



West



A contracted FedEx Ground driver checks a map at a Pennsylvania FedEx facility in this 2005 photo. A recent IRS ruling has tentatively concluded that FedEx Ground's owner-operators should be reclassified as employees for federal employment tax purposes.

CAROLYN KASTER/AP

ing," says Reis, whose firm represents employers. "This is going to make people a lot more vigilant," he says.

For years, FedEx and its FedEx Ground unit have been at the forefront of the issue. FedEx Ground argues that it contracts with independent operators to work its routes. The drivers own their own trucks, but FedEx has a series of requirements governing their work, such as the display of company colors and logos on trucks.

FedEx has been hit with multiple law-

and ruling letter" with the IRS on the question of independent contractors dating to 1994. "We don't believe we've made any changes" in violation of the 1994 agreement, he says.

West, whose organization focuses on issues faced by temporary, contract and part-time workers, welcomed the preliminary conclusion by the IRS. "It shows they take the rules on employee classification seriously, at least when it comes to independent contractors."

—Ed Fraenheim

## NEW IN THE C-SUITE

For more listings, go to [workforce.com/csuite](http://workforce.com/csuite)

People moving into key executive positions



**JENNIFER SUAREZ** has been named senior vice president of workforce development at CBS. Before joining the mass media company, whose operations include the CBS television network, Suarez was leader in Deloitte's media and entertainment practice. She began her career as a corporate banking and taxation attorney at Thompson Hine.



**JEFFREY B. CHAMBERS** has been named senior vice president of human resources at PRA International. Most recently, Chambers was vice president of human resources at SAS, a position he held for eight years. Prior to SAS, he was senior corporate counsel specializing in employment law.



**EVAN ELLIS** has been named senior vice president of worldwide operations at Xactly Corp. Prior to joining Xactly, Ellis was COO of Serena Software. Previously, he was vice president of Americas field operations at Brocade Communications. Before that, Ellis was president and COO of CyberSource.

Send announcements of new executive hires and promotions to [csuite@workforce.com](mailto:csuite@workforce.com). Please include formal title, prior position and key biographical and company information.

## OutFront

### EVENT CALENDAR

For more listings, go to [workforce.com/calendar](http://workforce.com/calendar)

*Conferences and forums you'll want to put on your schedule*

#### JANUARY 26-27

Tampa, Florida

##### **Mergers & Acquisitions**

The Human Resource Planning Society will present this workshop for HR executives interested in getting experienced counsel and practical insights on integration strategies and best practices from HR mergers-and-acquisition experts.

[www.hrps.org](http://www.hrps.org)

#### JANUARY 30-31

Los Angeles

##### **Talent Management: Creating the Competitive Difference**

The USC Marshall School of Business presents this event for professionals interested in hearing more about talent management.

[www.marshall.usc.edu](http://www.marshall.usc.edu)

#### JANUARY 31-FEBRUARY 1

New York

##### **Corporate Image Conference:**

##### **Winning Strategies, Insights and Solutions**

The Conference Board presents this event for individuals who wish to learn how to better brand their company's reputation and build a stronger corporate image.

[www.conference-board.org](http://www.conference-board.org)

#### FEBRUARY 6-8

San Diego

##### **The 2008 Strategic E-HR Conference: Using Technology to Transform Human Resources and Maximize Value**

This Conference Board event will feature corporate case studies and panel discussions presented by industry experts on the implementation of strategic e-HR.

[www.conference-board.org](http://www.conference-board.org)

#### FEBRUARY 13-14

New York (repeats March 13-14 in San Diego)

##### **Employee Health Care Conference: People, Health and Results: Making Connections for Business Success**

The Conference Board's 2008 Employee Health Care Conference will explore the links between health in the workforce and positive outcomes for businesses in managing costs, talent and productivity.

[www.conference-board.org](http://www.conference-board.org)

#### FEBRUARY 26-27

New York

##### **Leadership Conference on Global Corporate Citizenship**

Leaders from organizations big and small share ideas on how corporate citizenship is about "winning ideas for tomorrow, today."

[www.conference-board.org](http://www.conference-board.org)

#### FEBRUARY 28-29

New York (repeats March 13-14 in San Diego)

##### **8th Annual Talent Management Strategies Conference**

The Conference Board's Talent Management Strategies Conference will show how to maximize your people assets for business impact.

[www.conference-board.org](http://www.conference-board.org)

#### MARCH 5-6

Atlanta

##### **The 2008 Work Life Conference: How We Work and Live Today: The Impact on Employee Engagement and Talent Management**

This Conference Board event will present the Families and Work Institute and Catalyst's new collaborative study on talent management in the U.S., Europe and the Pan-Asia region; senior business leaders who will share their own experiences; and company best practices for improving talent management and reward systems.

[www.conference-board.org](http://www.conference-board.org)

#### MARCH 6-7

New York

##### **Employee Communication Workshops: Impacting Organizational Effectiveness Through Strategy, Implementation and Measurement**

The Conference Board presents this event on how to get employees to communicate better and to keep the company's progress on track by building quality interaction between employees and the management team.

[www.conference-board.org](http://www.conference-board.org)

#### MARCH 9-12

Scottsdale, Arizona

##### **2008 National Human Capital Summit**

The National Human Capital Summit brings together executives, human resource leaders, business managers and organizational development visionaries to share insights, discuss trends and learn how others are transforming talent management within their organizations.

[www.humancapitalinstitute.org](http://www.humancapitalinstitute.org)

#### MARCH 31-APRIL 2

San Diego

##### **ERE Expo Spring 2008**

ERE presents its annual exposition and conference for industry leaders in recruiting.

[www.ere.net](http://www.ere.net)

#### APRIL 7-9

Orlando, Florida

##### **Spring 2008 CLO Symposium**

The Spring 2008 CLO Symposium will focus on the crucial role of the chief learning officer in successfully orchestrating change within the organization.

[www.clomedia.com/events/symposiums](http://www.clomedia.com/events/symposiums)

Send announcements of upcoming events for listing consideration to [calendar@workforce.com](mailto:calendar@workforce.com).

#### ► MEISINGER RESIGNATION

## SHRM CHIEF EXITS ORGANIZATION AT CRITICAL TIME

With her resignation announcement last week, Society for Human Resource Management president and CEO Susan Meisinger is set to leave her organization as it launches a strategic assessment and six months after it rolled out a rebranding campaign.

Meisinger's departure, announced in a memo to SHRM staffers on January 8, surprised Lori Golino, president of



Meisinger

SHRM's Washington chapter when she was told about it that day.

"I'm shocked," said Golino, senior vice president of HR at Social and Scientific Systems in Silver Spring, Maryland. "I know she really got a lot of momentum going on this rebranding effort and she's been doing a really great job."

There were no indications of friction among the SHRM leadership that may have forced Meisinger out, according to Golino. SHRM hired a new COO, China Miner Gorman, in August.

"They all seemed to be working well together," Golino said.

In an internal memo, Meisinger wrote that she sought to "balance the demands of my role at SHRM ... and my desire to attend to some family member health matters."

Meisinger, who has been SHRM chief executive since 2002, cast her resignation as a retirement in her memo. She said she would remain in place until her replacement is selected by the organization's board of directors, who Meisinger said would launch a search for a new CEO shortly, "considering both internal and external candidates."

A short statement issued by SHRM after *Workforce Management* sought confirmation of Meisinger's departure said that she would retire in June.

"I've concluded that this would be a good time to step back, before SHRM undertakes its strategic review, to take some time for myself and my family—to take a sabbatical," she wrote in the



## OutFront

## GROUP DISABILITY INSURERS

Listed in alphabetical order

THE  
HOT  
LIST

Company, Web address	Total group disability net premiums for most recent four quarters	Long-term disability/ short-term disability premiums	Number of corporate policyholders	Number of client-company employees covered by insurer
AETNA <a href="http://www.aetna.com">www.aetna.com</a>	\$480 million	\$350 million/\$130 million	3,200	2.3 million
ASSURANT <a href="http://www.assurant.com">www.assurant.com</a>	\$327.6 million	\$241.5 million/\$86.1 million	23,581	1.2 million
CIGNA <a href="http://www.cigna.com">www.cigna.com</a>	\$950 million	\$791 million/\$158 million	7,100	5.2 million
GUARDIAN <a href="http://www.guardianlife.com">www.guardianlife.com</a>	\$374.8 million	\$217 million/\$157.8 million	38,500	1.6 million
LINCOLN FINANCIAL GROUP <a href="http://www.lfg.com">www.lfg.com</a>	\$584.7 million	\$378 million/\$206.7 million	28,404	2.9 million
PRINCIPAL FINANCIAL GROUP <a href="http://www.principal.com">www.principal.com</a>	\$321.2 million	\$204.6 million/\$116.6 million	31,450	1.5 million
PRUDENTIAL FINANCIAL <a href="http://www.prudential.com">www.prudential.com</a>	\$675.6 million	\$504.8 million/\$170.8 million	7,652	3.5 million
RELiance STANDARD <a href="http://www.rsli.com">www.rsli.com</a>	\$516.7 million	\$394.3 million/\$122.4 million	17,197	2.3 million
SUN LIFE FINANCIAL <a href="http://www.sunlife-usa.com">www.sunlife-usa.com</a>	\$382.3 million	\$259.3 million/\$123 million	29,069	2.7 million
THE HARTFORD <a href="http://www.thehartford.com">www.thehartford.com</a>	\$1.743 billion	\$1.175 billion/\$568.5 million	111,167	36.8 million
UNUM <a href="http://www.unum.com">www.unum.com</a>	\$2.366 billion	\$1.884 billion/\$482 million	54,601	6.6 million

Note: Previous Hot List participants WellPoint, MetLife, Standard Insurance and Liberty Mutual did not provide total figures for their most recent four quarters.

Sources: Companies

memo. "I suspect that at some point I may rejoin the world of work for the next phase of my life."

Over her 20 years at SHRM, Meisinger has been COO, senior vice president and vice president of government and public affairs.

At the SHRM conference in Las Vegas in June, Meisinger unveiled the branding campaign designed to help SHRM communicate better with its

233,000 members.

She said that communicating with its membership would require SHRM to stay in touch via devices like BlackBerries, Treos and iPods. "We're using technology so that SHRM can be with you wherever you go," she said.

In her January 8 memo, she said the accomplishments of her term included increasing membership by 63,000 and increasing revenue from \$70 million to

\$107 million and reserves from \$62 million to nearly \$160 million. The organization has said it is accumulating the large reserves to allow it to continue to operate during severe economic downturns.

Meisinger also touted SHRM's increased information resources and professional development opportunities as well as its new China and India offices.

—Mark Schoeff Jr.

► With a disproportionate number of companies targeting pay above the median for hot skills, long-term pay inflation is inevitable unless the U.S. government helps to close the skills gap.

# Mismatch in supply, demand

**DATA BANK** | Research & analysis by Fay Hansen

**T**HIRTY-FIVE PERCENT of technology companies are targeting salaries at the 75th percentile of the market for employees with hot skills and all are offering hiring bonuses, according to the latest survey from Culpepper. The most common method for identifying hot skills is feedback from managers, cited by 71 percent of the firms, followed by significant changes in salary demands from new hires and time required to fill open positions.

As Culpepper notes, however, problems ensue when companies build skill premiums into base salary by setting pay above the market median. It compounds overall labor costs and leads to pay problems as hot skills cool and firms are left with inflated salary budgets. Using skill premiums and signing bonuses that are not folded into base pay can help companies avoid these difficulties. Signing bonuses for hot skills at nearly half of the surveyed firms range from \$2,500 to \$9,999.

Workforce management executives will need a long-term strategy for recruiting and retaining employees with hot skills as the gap between U.S. college enrollments and labor demand continues to widen. Over the past decade, the portion of U.S. college students graduating in science, mathematics and engineering has steadily declined despite high and rising salaries in those fields and low and falling real wages in the more popular fields.

Throughout Europe and the rest of the world, governments have narrowed the gap by fully funding all tertiary education, regulating the number of university admissions by field and using point systems in immigration policies designed to attract highly skilled workers. Until the United States adopts a similar approach to education and immigration—or arrives at some other solution—inflated pay for technicians, engineers and scientists will plague U.S. employers.

wfm

## PRICING TARGETS FOR HOT SKILLS

Percentage of employers targeting market percentile for employees with hot skills, technology companies, November 2007

	All companies	Company size (number of employees)		
		<100	100 to 1,000	>1,000
50th percentile	11%	0%	4%	21%
60th percentile	19	24	12	21
67th percentile	6	12	4	5
75th percentile	35	36	42	30
90th percentile	2	4	4	0
>90th percentile	1	4	0	0
Varies	26	20	34	23

Note: Survey of 199 companies.  
Source: Culpepper ([www.culpepper.com](http://www.culpepper.com))

## ECONOMIC CONTEXT

### CORPORATE PROFITS

Corporate profits with inventory valuation and capital consumption adjustments, percent change from preceding period, Q4 2006-Q3 2007

Q4 '06	Q1 '07	Q2 '07	Q3 '07
-3.8%	1.1	6.1	-1.2

Source: U.S. Bureau of Economic Analysis ([www.bea.gov](http://www.bea.gov))

### POPULATION

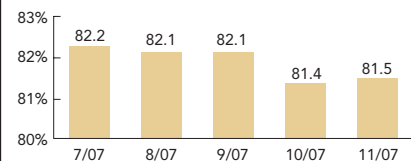
Countries ranked by population, 2007

1. China	1,321,851,888
2. India	1,129,866,154
3. U.S.	301,139,947
4. Indonesia	234,693,997
5. Brazil	190,010,647
6. Pakistan	164,741,924
7. Bangladesh	150,448,339
8. Russia	141,377,752
9. Nigeria	135,031,164
10. Japan	127,433,494
11. Mexico	108,700,891
12. Philippines	91,077,287
13. Vietnam	85,262,356
14. Germany	82,400,996
15. Egypt	80,335,036
16. Ethiopia	76,511,887
17. Turkey	71,158,647
18. Congo	65,751,512
19. Iran	65,397,521
20. Thailand	65,068,149

Source: U.S. Census Bureau ([www.census.gov](http://www.census.gov))

## CAPACITY UTILIZATION

Percentage of total production capacity currently in use



Note: Economists generally agree that a rate of 82% or above is necessary for new job growth.

Source: Federal Reserve ([www.federalreserve.gov/releases/G17](http://www.federalreserve.gov/releases/G17))

## REVAMPING HR

Percentage of companies reporting primary drivers behind revamping their HR functions, November 2007

Cost savings	85%
Effectiveness of service	75
Build HR capability	33
Create more strategic HR role	30

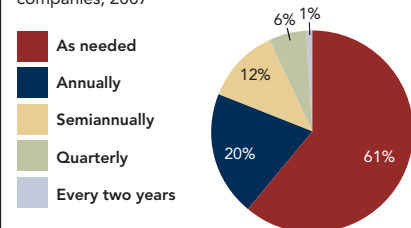
Note: Survey of 150 global companies.

Source: Deloitte ([www.deloitte.com](http://www.deloitte.com))

## LABOR MARKETS

### SKILLS ASSESSMENT

Percentage of companies reporting frequency with which they conduct skills assessments, technology companies, 2007



Note: Survey of 199 companies.

Source: Culpepper ([www.culpepper.com](http://www.culpepper.com))

## UNEMPLOYMENT

	8/07	9/07	10/07	11/07	12/07
<b>Official rate</b>	<b>4.6%</b>	<b>4.7</b>	<b>4.7</b>	<b>4.7</b>	<b>5.0</b>
<b>Total rate*</b>	<b>8.4%</b>	<b>8.4</b>	<b>8.4</b>	<b>8.4</b>	<b>8.8</b>

\*Total unemployment is officially unemployed plus discouraged workers and involuntary part-time.  
Source: U.S. Bureau of Labor Statistics ([www.bls.gov/ces/home.htm](http://www.bls.gov/ces/home.htm))

## PAY/SKILLS MISMATCH

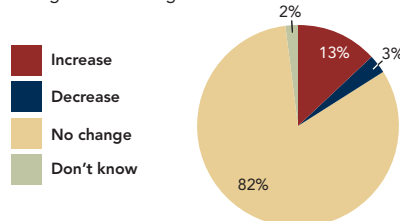
Average annual salary offer and average annual growth rate of discipline as a percent of total bachelor's degree graduates

Discipline	Growth rate	2007 Salary
Visual/performing arts	2.6%	\$30,174
Psychology	2.3	31,857
Communications	1.0	32,845
History/social sciences	0.8	33,763
Biological sciences	0.8	33,944
English	0.5	31,924
Business	-0.5	44,287
Computer science	-0.6	51,992
Health sciences	-0.8	42,871
Education	-0.9	33,679
Engineering	-2.2	53,710

Note: Annual rate of change in the proportion of total graduates represented by discipline between 1985-86 and 2004-05, from the National Center for Education Statistics, Digest of Education Statistics 2006.  
Source: National Association of Colleges and Employers ([www.naceweb.org](http://www.naceweb.org))

## INFORMATION TECH HIRING

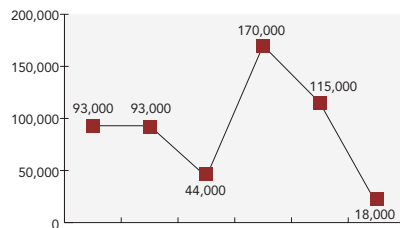
Percentage of chief information officers planning changes in IT staffing for Q1 2008



Note: Survey of 1,400 CIOs.  
Source: Robert Half Technology ([www.roberthalftechnology.com](http://www.roberthalftechnology.com))

## JOB GROWTH

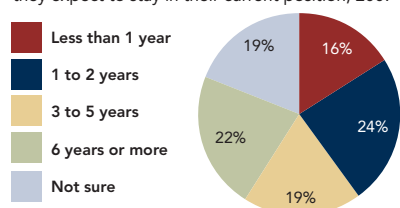
Change in payroll employment



Source: U.S. Bureau of Labor Statistics ([www.bls.gov/ces/home.htm](http://www.bls.gov/ces/home.htm))

## GEN Y JOB TENURE

Percentage of Gen Y employees reporting how long they expect to stay in their current position, 2007



Note: Survey of 1,000 adults ages 21 to 28.  
Source: Robert Half Technology ([www.roberthalftechnology.com](http://www.roberthalftechnology.com))

## SALARIES & WAGES

### MANUFACTURING PAY

Median total cash compensation for employees in manufacturing, 2007

Plant manager	\$108,170
Engineering manager	94,374
Project engineer	78,404
Production supervisor	54,017
Packaging supervisor	45,115
Foreman	42,900
Shipping/receiving supervisor	42,475
Quality assurance programmer	61,445
Systems analyst	56,629
Computer system hardware analyst	69,202
Materials engineer	66,953
Safety engineer	66,706
Plant engineer	65,772
Maintenance machinist	41,874
Electronics technician	41,314
Welder	34,985
Maintenance carpenter	31,981
Computer operator	31,251
Payroll clerk	31,218
Truck driver, heavy	30,723

Source: Abbott Langer & Associates ([www.abbott-langer.com](http://www.abbott-langer.com))

## GEOGRAPHIC DIFFERENTIALS

Geographic pay variations for retail staff pharmacists by metropolitan area, median total cash compensation, 2007

National	\$102,800
Atlanta	98,300
Baltimore	103,400
Columbus, OH	96,400
Dallas	106,400
Denver	102,400
Las Vegas	101,800
Minneapolis	111,100
New York	103,800
Norfolk, VA	102,800
Orlando, FL	101,700
Philadelphia	103,000
San Diego	107,100
Seattle	101,900

Source: Mercer ([www.mercer.com](http://www.mercer.com))

## PAY INCREASES

Projected average pay increases, inflation and pay increase above inflation, selected Western European nations, 2008

	Actual increase	Inflation	Real increase
Ireland	4.7%	2.1%	2.6%
Switzerland	2.5	1.0	1.5
Spain	3.8	2.4	1.4
France	3.0	1.8	1.2
Italy	3.1	1.9	1.2
Germany	2.7	1.6	1.1
U.K.	3.1	2.0	1.1
Netherlands	3.0	2.1	0.9

Source: Mercer ([www.mercer.com](http://www.mercer.com))

## BENEFITS

### PHARMACY COST SHARING

Percentage of employers using cost-sharing plan configurations for prescription drugs, 2007

Two-tier with co-payments	16.8%
Two-tier with co-insurance	7.9
Three-tier with co-payments	45.3
Three-tier with co-insurance	14.4
Four-tier with co-payments	11.5
Four-tier with co-insurance	4.1

Note: Survey of 340 employers with 6.2 million members.  
Source: Pharmacy Benefit Management Institute ([www.pbmi.com](http://www.pbmi.com))

## BENEFIT COSTS

Employer costs per hour worked for benefits, union and nonunion private industry workers, September 2007

	Total	Insurance	Retirement
<b>Goods-producing</b>			
Union	\$15.37	\$4.80	\$3.04
Nonunion	8.94	2.31	1.02
<b>Service-producing</b>			
Union	\$12.53	3.73	2.06
Nonunion	6.52	1.61	0.68

Source: U.S. Bureau of Labor Statistics ([www.bls.gov](http://www.bls.gov))

## RETIREMENT AGE

Percentage of workers reporting planned retirement age and retirees reporting actual retirement age, 2007

Retirement age	Workers (planned)	Retirees (actual)
Before 55	7%	14%
55-59	10	21
60-61	10	7
62-64	11	25
65	27	13
66 and older	24	15
Never retire/never worked	6	3
Don't know	5	0

Source: Employee Benefit Research Institute ([www.ebri.org](http://www.ebri.org))

## RETIREE HEALTH

Projected average employee/retiree share of 2008 health care coverage costs

	Single coverage	Family coverage
Active employees	\$900	\$3,132
Retirees under age 65	3,324	9,192
Retirees 65 and over	1,500	3,120

Source: Towers Perrin ([www.towersperrin.com](http://www.towersperrin.com))

## PREMIUMS BY INDUSTRY

Average monthly and annual health insurance premiums for covered workers by industry, single and family coverage, 2007

	Monthly		Annual	
	Single	Family	Single	Family
Mining/const.	\$338	\$946	\$4,060	\$11,350
Manufacturing	341	950	4,094	11,401
Transportation/communications/				
utilities	442	1,053	5,307	12,638
Wholesale	352	1,015	4,225	12,181
Retail	341	904	4,093	10,853
Finance	356	999	4,270	11,987
Service	374	1,032	4,485	12,389
Health care	401	1,103	4,817	13,232

Source: Kaiser Family Foundation ([www.kff.org](http://www.kff.org))



# LOST



Former Intel execs, left to right, Ali Lakhani, Kevin Gazzara and Marleen Lundy have formed consulting firm Magna Leadership Solutions since leaving the world's largest semiconductor company.

# in the SHUFFLE

By Ed Fraumenheim

CONTINUED FROM THE COVER

in ways that have harmed morale, employee development and long-term leadership quality. In addition, some results of an internal employee survey point to worker dissatisfaction and suggest a less-than-thriving culture of innovation.

Intel's restructuring raises questions about how organizations should go about handling people issues when faced with financial trouble. The company also may offer a cautionary tale about the business world's push to rely more heavily on quantitative workforce data and to categorize employees according to highly defined skills or competencies.

Wayne Cascio, a University of Colorado business professor who has researched corporate reorganizations, touted Intel as among the best companies for responsible, effective restructuring in the mid-1990s. He no longer considers the chip maker in that upper echelon of firms, saying Intel has resorted to widespread layoffs. Despite Intel's financial progress of late, it may not be clear for years whether the company's recent restructuring was sound, he says.

"A lot of times there are delayed effects," he says. "Your financial numbers can look good in the short run. But you also have to worry about things like institutional memory and the ability to innovate over the long term."

Effective managers and top training specialists left the company amid the overhaul, a number of former Intel employees say. In interviews with a half-dozen former Intel employees, other criticisms surfaced—including charges that Intel disregarded employees' passions in reorganizing, squandered the talents of HR specialists and unwisely

shifted leadership training efforts from lower-level managers to upper-level executives.

Critics say problems in Intel's reorganization are part of a broader erosion of its culture.

"Several levels of management have stopped listening to the people who are doing the work," says Kevin Gazzara, a former program manager in Intel's learning and development group who says he quit the firm in sadness and frustration last year. He had been at the chip maker 18 years. "Intel could have done it so much better."

*Workforce Management* obtained some of the results of Intel's August Organizational Health Survey, which indicated that just 55 percent of Intel employees are satisfied with their career development opportunities at the firm, and that 44 percent of employees would leave the company for a job elsewhere with similar pay and benefits. Asked to respond to the state-

ment "At Intel, informed risk-taking is valued regardless of the outcome," only 50 percent agreed.

Intel, which at times has touted its leadership in the area of workforce management, declined to comment on specific employee survey questions. But it says overall results of the survey were flat compared with 2005, and an improvement from 2000.

Patricia Murray, Intel senior vice president and co-leader of the firm's human resources department, says Intel is aware that its esprit de corps took a hit during the restructuring, which dates to April 2006. "We just lived through a very hard time. Our morale is down," Murray says. "And this is the time to do something about it."



Intel employees  
outside corporate  
headquarters in Santa  
Clara, California

OPPOSITE: DAN COOGAN—LOCATION COURTESY DON FASSINGER, TEMPE CENTER FOR THE ARTS





**Intel's HR department is aware that esprit de corps took a hit during the restructuring. "We just lived through a very hard time. Our morale is down. And this is the time to do something about it."**

—PATRICIA MURRAY, senior VP and human resources department co-leader, Intel

## FINANCIAL TURNAROUND

Founded in 1968, Santa Clara, California-based Intel is the world's largest semiconductor company. Intel's culture has been lauded as one of the most effective and employee-friendly in the world, and for years the firm has been known as a corporate training leader.

But the company's revenue fell 9 percent in 2006, to \$35 billion, and its net income dropped 42 percent, to \$5 billion. Reports said Intel lost market share to archrival

coming a more agile and efficient company—not just for this year or the next, but for years to come," Intel president and CEO Paul Otellini said in a statement at the time.

In November 2007, Intel said its headcount would likely get down to 86,000 by year's end. Intel spokeswoman Gail Dundas said the additional downsizing is a result of "normal attrition and other business activities."

Intel's financial performance has improved. Revenue for the quarter ended September 30, 2007, jumped 15 percent year over year to a record \$10.1 billion. Net income was up 43 percent to \$1.9 billion. Also last year, the company unveiled new processor chips designed to stem electricity leakage, a nagging problem as circuitry grows smaller. *Time* named Intel's 45-nanometer Core processor one of the best inventions of the year. Intel shares recently neared \$28 before settling back around \$22.

## KEY MANAGERS OUSTED

Critics, though, say Intel's gains may be short-lived. Ex-Intel employees interviewed for this story generally agree the company was bloated and needed an overhaul, but they take issue with how Intel executed the changes.

Among the jobs Intel eliminated were 1,000 management positions trimmed by late July 2006. During that cut, Intel wound up sacking many leaders skilled at people development, says a former Intel manager who lost his job in the reduction. The manager, who spoke on condition of anonymity out of concern that his current tech-industry firm could be harmed, says one of the criteria used in allocating those pink slips was how well managers had prepared their direct reports to move up in the firm.

"If you had a well-run organization with a lot of bench strength—in other words, you were a good manager—you were deemed expendable," he says.

Intel declined to comment on this claim. But an internal Intel document shared with *Workforce Management* indicates the company realized it was losing quality employees in the 1,000-manager cut. The memo, intended to help managers speak with their teams about the layoff, states: "We know we are losing good people in this move. But we have too many managers, and this manager reduction is necessary to improve our decision-making and communication and to resize the company. In addition, since we need to become a leaner company and are limiting job openings, redeploying their skills, as individual contributors or as managers, is not a reasonable option."

Intel declined to comment on the memo.

In addition, former Intel employees say first-rate employee development experts were laid off or left as a result of the restructuring. Among the leadership experts Intel lost in the overhaul is Kevin Gazzara. Until December



**Intel's changes are part of a disturbing trend of focusing too intently on metrics. "I really think the 'H' in HR, particularly at Intel, is missing. People are viewed as a commodity."**

—KEVIN GAZZARA

Advanced Micro Devices for periods of 2005 and 2006. During the dot-com boom, the company's stock price had soared to nearly \$70, adjusted for dividends and splits. But Intel shares hovered around \$25 in 2005 and dropped below \$20 for much of 2006.

Faced with this weak performance, Intel in April 2006 announced its intent to restructure. And in September of that year it revealed plans for an overhaul designed to reduce costs and operating expenses by \$2 billion in 2007 and \$3 billion in 2008. The reorganization was expected to trigger savings in merchandising expenses, capital, materials and labor costs. Intel said it would cut its workforce to 92,000 by the middle of 2007. That is 10,500 fewer positions than it had in mid-2006.

"These actions, while difficult, are essential to Intel be-



2006, Gazzara ran leadership development programs at Intel targeted at first-line and midlevel leaders. *Workforce Management* featured Gazzara in a November 2005 cover story about globalization training, and his efforts were among the reasons *Workforce Management* gave Intel an *Optimas Award* in 2006 for overall HR excellence.

With a doctorate in organizational leadership, Gazzara has researched how employee performance can be improved by setting up jobs that match workers' preferences for a certain blend of routine, troubleshooting and project-oriented tasks.

Given this background, he says it is ironic that Intel leaders dismissed his and others' interests during the restructuring. Intel assigned him to work on ad-hoc courses based on his knowledge in training design, he says. But his heart and his expertise were in working on comprehensive leadership development and employee engagement programs, where he saw great potential to help Intel. Partly out of dissatisfaction with his new role, Gazzara resigned in June from the company he had loved for years.

"The managers did everything on paper by the numbers," Gazzara says. "There were no discussions."

Gazzara has since founded a consultancy focused on leadership development with two other former Intel employees. The firm, Magna Leadership Solutions, has done work for customers including Cisco Systems and Avis.

## EXPERTISE SQUANDERED

Indeed, Intel's other HR co-leader, vice president Richard Taylor, says that over the past five years he has pushed to make Intel's HR department more data-driven. Taylor, an accountant by training, and other Intel officials don't dispute that HR reassignments were done based largely on competencies. But Intel officials contest the idea that employee preferences were ignored, noting that managers are expected to talk with their direct reports at least annually about career aspirations.

Intel may have lost some training specialists, but its training investment has increased, officials say. Per capita spending on training has increased 6 percent over the past four years, Taylor says. Preparing leaders has been a key target: spending on leadership development rose 119 percent last year, and is up 50 percent over the past five years, Taylor says.

Intel also defends the quality of the leadership development expertise that remains at the company. "I am really proud of this HR organization," Taylor says, adding that his staff is made up of "some of the best, most professional and most skilled HR people anywhere in the world."

Robert Burgelman, a business professor at Stanford University, gives Intel high marks when it comes to developing its executives. Burgelman, who teaches several courses a year on strategic thinking to Intel senior man-

## Restructuring 101

TALK TO employees. Treat laid-off ones well. Keep investing in training. Try to redeploy your talent. Have top executives share in the sacrifice.

These are among the key steps companies ought to take when reorganizing their businesses, says University of Colorado business professor Wayne Cascio. Companies that do these things typically end up with better long-term financial results as well as a better reputation, says Cascio, who studied corporate overhauls for the U.S. Labor Department and wrote the book *Responsible Restructuring: Creative and Profitable Alternatives to Layoffs*.

By failing to take employee views into account, "you can move a lot faster, but you may lose a lot of creativity in the process," Cascio says.

Corporate reorganizations are becoming common as the pace of business picks up and many firms face volatile swings in their fortunes. Among the companies going through a restructuring is computer chip giant Intel. In response to falling revenue and market share, Intel has revamped operations and downsized. Through such steps as job cuts, attrition and the sale of business units, the company expected its headcount to be 86,000 at the end of 2007, down from 102,500 in mid-2006.

In its restructuring, Intel has taken some steps

that are considered smart. Employees who lost jobs in the overhaul say Intel provided generous severance packages—which sends a positive message back to remaining workers. The company also ramped up spending on training even as it cut overall HR costs by nearly 40 percent.

But there are other areas where Intel may have run counter to the best restructuring practices. Among the charges from ex-employees critical of the firm is that Intel did not do enough to ask employees about their interests in the course of the overhaul. Intel executives counter that managers routinely check with subordinates about career goals, and employees had to be reassigned based on the company's new strategy.

Total compensation for the five highest-paid Intel executives fell from \$43.7 million in 2005 to \$34.4 million in 2006, and Intel president and CEO Paul Otellini saw his total pay drop from \$12.2 million to \$9.8 million. To rank-and-file employees, though, giving up a couple million dollars of a multimillion-dollar package may not seem like much of a sacrifice. Ken Iverson, former CEO of Nucor Steel, took a 60 percent pay cut during his company's reorga-

nization, according to Cascio. "He was saying, 'We're all in this together,'" Cascio says.

In the 1990s, Cascio considered Intel among the top corporations when it came to restructuring. He was impressed by Intel's redeployment program, which gives employees affected by

downsizing a chance to find new work at the company. Intel in many cases still offers the redeployment program, in which employees have eight weeks at full pay and benefits to seek a job at Intel or elsewhere.

Cascio, though, no longer puts Intel in the top strata of restructurers, saying that the company over the years has done less to find ways to preserve and redeploy its talent.

"The firm has resorted to widespread layoffs," Cascio says. "Intel seems to have changed its philosophy over

the past decade or so."

Intel spokeswoman Gail Dundas says the company doesn't always have openings for workers in the redeployment program. But, she says, the program amounts to a better deal than what many other companies offer. "It continues," Dundas says. "The spirit is still there."

—E.F.



Cascio



ERIN LUBIN/WP/N

CEO Paul Otellini's salary fell from \$12.2 million to \$9.8 million during Intel's restructuring.



**Many firms train executives with a smattering of different courses, coaches and concepts. The result is a cadre of leaders who don't use the same framework for solving problems or setting strategy. "Intel has avoided this by exposing many, many people to the same ideas."**

—ROBERT BURGELMAN, business professor, Stanford University

agers, says many firms train their executives with a smattering of different courses, coaches and concepts. The result is a cadre of leaders who don't use the same frameworks for solving problems or setting strategy, he says, which slows them down. "Intel has avoided this by exposing many, many people to the same ideas," he says.

But critics claim Intel made poor use of leadership development experts in the course of the restructuring.

A former training specialist who left Intel last year after more than 15 years with the company says Intel effectively wasted his talents by reassigning him. Before the restructuring, the training specialist created leadership programs for an Intel business unit with more than 4,000

## DEVELOPMENT REVAMP

Intel also used the occasion of the restructuring to adopt a new philosophy on employee development, company officials say. More continuous learning, greater involvement of managers in leadership training and better use of "Web 2.0" interactive technologies are central to development efforts now, officials say.

"Our focus on developing great leaders has stepped up a notch," Taylor says.

Intel employees overall, though, are far from content when it comes to career development, according to the August employee survey. Asked to respond to the statement "I am satisfied with my opportunities to develop and grow at Intel," only 55 percent agreed or strongly agreed.

This figure, in addition to the finding that more than 40 percent of Intel employees are willing to leave for a job with comparable pay and benefits elsewhere, indicates Intel may be at risk of losing valuable employees. John Boudreau, management professor at the University of Southern California, stresses he is not personally familiar with Intel's situation or recent history. But he says research suggests that top performers tend to be particularly sensitive to career development opportunities, and often have the most options if they decide to leave.

Intel's Murray says turnover hasn't risen in the wake of the restructuring. Turnover generally remains less than 10 percent annually, and less than 2 percent for the employees Intel dubs "high performers."

Even so, Intel officials say they are taking action to keep employees happy in terms of growth opportunities. In July, the company hired Steve Backers to head up career development programs.

## DATA-DRIVEN

Whether Intel's legendary corporate culture has withered is subject to debate. Intel officials argue it is alive and kicking. But another result from the August employee survey hints at significant employee distrust of management. Asked to respond to the statement "I believe that action will be taken based on the results of this survey," just 48 percent of employees agreed or strongly agreed.

Lack of confidence that leaders will respond to employee feedback may help explain Intel's gradually declining performance on *Fortune's* list of the 100 Best Companies to Work For. After finishing in the top 65 from 1998 to 2004, Intel finished 97th in 2006, and failed to make the list altogether in 2005 and 2007.

That drop-off also corresponds roughly to Taylor's data push. Analysts agree that organizations should do more to quantify their talent and make workforce decisions more scientifically. But some warn the numbers focus can go



**The numbers focus can ignore intangibles and impede innovation. "Once you measure too much, you believe the organization is a machine. I think the organization is a living organism."**

—LYNDA GRATTON, professor, London Business School

employees. Intel moved him into an HR generalist role, he says, where he often handled entry-level administrative tasks such as helping employees locate company policies. Other experts in organizational development were given similar generalist roles, he says.

"I told my manager they shouldn't be paying someone like me to do this job," says the specialist, who earned more than \$100,000 a year.

Taylor says a number of organizational development professionals were asked to handle a broader array of HR tasks, such as recruiting and compensation matters. But he denies the new work should amount to superficial tasks. Taylor says his HR staff should be deflecting basic inquiries to the Web or a call center, and that their new role allows for increased authority given the larger ratio of Intel employees to HR professional.

"It may be broader, but it's hugely more impactful," he says.

too far, and ignore intangibles or impede innovation. London Business School professor Lynda Gratton, for example, warns that companies sometimes pay too much attention to metrics, and that can get in the way of fostering "hot spots" in a firm, where important new work gets done. "Once you measure too much, you believe the organization is a machine," Gratton told *Workforce Management* last year. "I think the organization is a living organism."

Gazzara says the changes to Intel's HR operations are part of a broader, disturbing trend of focusing on metrics without serious consideration of the experience, passion and talent of employees. "I really think the 'H' in HR, particularly at Intel, is missing," he says. "People are viewed as a commodity."

Intel officials beg to differ. Murray, for example, says that she read most of the 57,000 written comments submitted by employees in the recent employee survey. And her vision for the company is not one of merely optimizing talent metrics. Intel has a "huge opportunity to say, 'OK, we're changing. Now let's make this a lively, engaging workplace,'" Murray says.

Not everyone is so sanguine about Intel's prospects. The training specialist who left the company after more than 15 years portrays Intel's recent restructuring as part of a rise and fall of smart people management at Intel. In

his view, managers were given a great deal of autonomy during the company's flush times in the 1980s and '90s, and some invested in effective employee development practices. But as money got tight over the past few years,

he argues, senior managers reverted to a technology and finance orientation. Intel effectively sacrificed its people development legacy in the process, he says.

"They killed an essential side of Intel's soul," he says.

Some might call this a naive viewpoint, given how common it is for companies to trim training during tough times. In any event, Intel says it has done nothing of the sort. Pointing to

greater funding and a revamped training philosophy, Taylor says the company is as committed as ever to fostering employee and leadership growth.

And he frames Intel's approach to the annual *Fortune* contest as another sign of the company's commitment to the best people practices. One of the steps in pursuing a spot on the *Fortune* list is a survey given to 400 randomly selected employees. The results are given back to the firms.

"We still choose to apply for it," Taylor says, "because we want to learn from our employees."

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# SPECIAL REPORT: TRAINING & HR TECHNOLOGY

SECTOR  
STATS

46.7%

Percentage growth expected  
in number of U.S. workers  
age 55 and older between  
2006 and 2016

23%

Percentage of U.S. workforce  
expected to be composed of  
workers age 55 and older in 2016

Source: Bureau of Labor Statistics, December 2007

## Retrain the Brain

As aging baby boomers look to keep on working, producers of 'brain fitness' software—aimed at improving memory and keeping the mind sharp—see an opportunity to pitch their wares to employers.

Stories by Ed Frauenheim • Illustration by Gonzalo Hernández

SOFTWARE TOOLS to keep the brain fit are headed to the workplace.

The products have been making a splash in the consumer market in recent years as older Americans wrestle with memory loss and other cognitive declines. And now vendors of "brain fitness" software are beginning to see employers as another fertile market, especially given the desire of baby boomers

to stay in the workforce for years to come.

A host of challenges face this nascent industry. They include doubts about the effectiveness of the software, concerns that exercises in front of a computer will bore people, and the prospect that employees in their 40s, 50s and 60s will feel stigmatized signing up for what could be considered brain rehab.

But advocates are confident the burgeoning field of brain health is far more than a fad, and companies are likely to see significant benefits in areas such as productivity and retention through the use of the new software tools.

Posit Science, a San Francisco-based firm, says several employers are testing its software this year. Posit Science's Brain Fit-

## IMPACT Study Results

131%

Percentage of speed improvement in gathering and processing information, such as speech, reported by Posit Science's 2007 IMPACT study participants

75%

Percentage of IMPACT study participants reporting positive changes in everyday life, such as remembering shopping lists or where they left their keys

### GIVING BRAINS A WORKOUT

Posit Science is one of several companies working on software that aims to improve memory and other cognitive functions in older adults—an area of interest to employers as the workforce ages. Posit says its Brain Fitness Program has been shown to improve the memory of people 60 and older by 10 years or more. This chart shows the results of one of Posit's studies.

524  
HEALTHY  
ADULTS

**EXPERIMENTAL GROUP:** Participants used the computer-based Posit Science program.

**CONTROL GROUP:** Participants used a computer-based educational program similar to what a doctor might recommend for staying "cognitively active."

### WORKPLACE BENEFITS:

Better ability to follow a speech given by a fast-talking speaker

Better ability to retain and retrieve information quickly, such as names

Better ability to hear and follow conversations in noisy places



Source: Posit Science's Improvement in Memory with Plasticity-based Adaptive Cognitive Training (IMPACT) Study, 2007

JANUARY 14, 2008

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# SPECIALREPORT

## TRAINING & HR TECHNOLOGY



**Nintendo's Brain Age games are inspired by the work of Japanese neuroscientist Ryuta Kawashima, but the products are pitched primarily as fun. "We haven't done any scientific research to demonstrate any health claims," says George Harrison, former Nintendo of America senior VP of marketing.**

ness Program has been shown to improve the memory of people 60 years or older by 10 years or more, and the company's CEO, Jeff Zimman, expects solid results in corporate trials as well.

"This is going to be a hot area," he says.

### THE PLAYERS

The brain fitness arena has its roots in scientific findings during the past two decades that the brain is fundamentally "plastic"—capable of rewiring itself even late in life. That's good news, because experts also note that brain functioning begins to fall off as early as age 25. Among the key researchers in the field is Posit Science founder Michael Merzenich, a neuroscientist at the University of California, San Francisco who was recently featured in a PBS program on brain fitness.



**Posit Science expects solid results in corporate testing trials of its software. "This is going to be a hot area."**

—JEFF ZIMMAN, CEO, Posit Science

To combat the dulling of the mind and stave off the horrifying effects of dementia, a host of vendors now tout brain training software programs, including Happy Neuron.com, CogniFit, Posit Science and Fit Brains. Video game company Nintendo also is a player with its Brain Age software.

The content of these programs varies. Happy Neuron.com, for example, offers games designed to work out five major brain functions: language, attention, memory, visual processing and "executive function," which includes logical reasoning. One of Happy Neuron's language games, "Split Words," asks users to match the parts of words divided into two or more sections, with the help of a general category for the session such as "gardening."

Fit Brains plans this month to introduce games for a range of cognitive functions. By the end of March, it intends to add games as well as other features such as brain fitness metrics.

Brain Age, built for the Nintendo DS mobile game device, runs users through activities such as solving math problems, playing sudoku puzzle games and reading literature aloud.

Posit Science, meanwhile, works to improve memory and train the brain on basic processing skills. In one activity, users are asked to listen to two tones played in rapid succession, then decide whether the second was higher or lower than the first.

### BENEFIT QUESTIONED

The brain training software industry is new but promising. Brain Age and its sequel Brain Age 2 have together sold more than 14 million copies worldwide since 2005, says George Harrison, who was senior vice president of marketing at Nintendo of America before retiring from the company at the end of 2007. Nintendo's brain games are inspired by the work of Japanese neuroscientist Ryuta Kawashima, and they estimate the "age" of users' brains based on their performance. But the products are pitched primarily as fun, Harrison says. "We haven't done any scientific research to demonstrate any health claims," he says.

On the other end of the spectrum, Posit Science has had its software tested by researchers who have presented findings in scholarly journals and at conferences. In November, the company touted results of a study of 524 healthy adults 65 and older. Half of them completed up to 40 hours of the Posit Science program. The other half followed the advice that older people will benefit from new learning in different subject areas, and completed up to 40 hours of a computer-based educational training program on topics such as the history of Great Britain.

Those in the Posit Science group showed "significantly superior" gains in standardized, clinical measures of memory equal to roughly 10 years, the company said in a statement. The company also said participants in the Posit Science program showed significant gains in how they perceived their memory and cognitive abilities, such as remembering names and phone numbers or where they had left their keys, as well as communication abilities and feelings of self-confidence.

Even so, the degree to which software programs can slow the cognitive decline associated with aging has been questioned. Sandra Aamod, editor of the journal *Nature Neuroscience*, and Sam Wang, professor of molecular biology and neuroscience at Princeton University, offered a critical view of the products in a November *New York Times* opinion piece. A better bet, the authors argued, is physical exercise.

"So instead of spending money on computer games or puzzles to improve your brain's health, invest in a gym membership," the authors wrote. "Or just turn off the computer and go for a brisk walk."



**Best Practices in E-Learning**

# Bridging the Multigenerational Workplace

**PLATEAU SYSTEMS**

**W**ith four generations of workers currently comprising the current U.S. workforce, today's organizations must accommodate a wide range of generational differences in the workplace. Workers in each of these generations – which span almost a century have different values, needs, motivations, career goals and work styles and expectations. By taking a multi-tiered approach to delivering and managing learning, training and career development activities and managing and rewarding employees, organizations will be better able to retain a wide range of workers from various generations and keep them engaged, productive and successful in the longer term.

## How can organizations embrace generational differences in the workplace?

Organizations can start by taking inventory of the different generations that make up their workforce and developing a plan that addresses the expectations and requirements of each generation. This plan should include specific guidelines and serve as a blueprint to ensure that managers are managing, developing, evaluating, and rewarding each generation accordingly.

## Best Practices to help Organizations

**On-Boarding:** Because effective talent management starts with an employee's first day on the job, organizations should fine-tune their on-boarding process by incorporating programs that specifically address generational differences. Older workers, for example, may not be as comfortable or advanced using technology as their Generation X and Y colleagues (referred to as Gen X and Gen Y). To familiarize and make these workers more comfortable with the technology they will be required to use in their jobs, organizations may want to incorporate new-hire training programs that include targeted, hands-on training around technology.

**Training and Career Development:** In addition to addressing different learning styles, an effective training program should address generational differences. Baby Boomers, for example, tend to prefer

relationship-based learning situations while Gen X workers prefer to engage in independent learning. This generation is less likely to participate in or benefit from traditional classroom instruction than in collaborative training environments that encourage knowledge and expertise sharing between these workers and their peers and colleagues. According to Forrester research, "Millennials," the youngest generation of workers in today's workforce (born between 1981 and 1999) have grown up in an age where the Internet has all but guaranteed immediate access to information. As such, this "immediate-gratification" generation operates in a rapid-fire mode. In contrast to their older worker counterparts who prefer to receive and act on information in a linear fashion, millennials are multi-taskers who prefer to receive information quickly and from multiple sources in real time and parallel process it immediately.

While the generational differences in, expectations for and approaches to the workplace vary, organizations can adjust horizontal talent management strategies to accommodate each generation. Organizations can and should consider incorporating non-traditional, informal training programs such as online learning, distance learning, and other opportunities that facilitate learning and collaboration. In many cases, technology can help actualize an organization's strategy around effectively managing a multi-generational workforce.

iContent, for example, is a next-generation talent management solution designed to make specific learning offerings available to users. Organizations can tailor such solutions to ensure that their employees are receiving and interacting with the most appropriate and relevant learning and training information, materials and activities. By providing a single place where learners can browse and select learning content, solutions such as iContent allow organizations to manage and expose a wide range of learning and training information and courses in a way that transcends employee learning styles and generational sensitivities.

**Performance Management:** How should your organization's performance management processes address generational expectations? Since Gen-Y thrives on constant praise,

organizations should consider updating their approach to performance management to provide these employees with more frequent and personalized opportunities to receive feedback. Performance plans for this group should allow managers to easily recognize both privately and publicly the accomplishments of the winners.

For these workers, job-hopping has become a popular and preferred vehicle for advancing professionally. Gen-Y workers want immediacy, transparency and an accelerated timetable for advancement. They want a real-time view into what they have accomplished, what they need to accomplish going forward, and how and when they can expect to be acknowledged and rewarded or for their accomplishments (e.g., promotion, more responsibility, salary increase, etc.).

Performance reviews that define and map performance goals directly to individual development plans that feed into career, succession and compensation planning are especially effective with Gen-Y workers.

**Reward:** Lastly, since the goal of any talent management strategy is to enhance productivity and performance as well as retain strong performers, today's companies need to design advancement and compensation practices to meet the needs and expectations of multiple generations. Organizations hoping to retain workers from multiple generations should look to develop more non-traditional advancement opportunities for workers and proactively communicate that "advancement" does not always mean promotion. Workers should be encouraged to advance in other ways, such as by job role, geographic rotations and project responsibilities.

Companies can develop a successful talent management strategy by addressing the specific generational needs and expectations of their workers. This can include creating rotational assignments (often across functions and geographic rotations) to support the needs of younger workers or offering specialized training and learning programs via solutions like iContent to address the short and long-term needs and goals of multigenerational workforces.

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# SPECIAL REPORT

## TRAINING & HR TECHNOLOGY

### FROM BIG BIRD TO BETTER BRAINS

LLOYD MORRISETT knows a thing or two about tapping technology to stimulate the brain.

In the 1960s, Morrisett helped create *Sesame Street* to harness the power of television to teach young children.

Now 78, Morrisett has latched on to another project that he says marries technol-

ogy and mind improvement—one that has changed his own brain for the better.

Morrisett is an advisor to Posit Science, a San Francisco-based software company with a program designed to turn back the clock on aging brains. Posit Science is one of a number of vendors pitching brain fitness software and hopes to sell its product to companies as a workforce training tool.

Morrisett retired from full-time paid work in 1998, but remains busy. He serves on the boards of *Sesame Street* producer Sesame Workshop, opinion research group Public Agenda and Internet services firm Tucows. Morrisett also practices piano and singing.

He learned about Posit Science several years ago from an acquaintance and met with company co-founder Michael Merzenich, a neuroscientist at the University of California, San Francisco. Morrisett eventually went through a test version of the company's brain fitness program, which took him 40 hours over eight weeks.

"It seemed to me that did have an effect," Morrisett says, adding that "the improvement seems to be a long-term improvement."

In particular, Morrisett says his hearing in noisy settings seemed better. So did his memory. He found it easier to recall names and access current information.

Another benefit, he says, came in the realm of his music. Years ago, Morrisett could not match a tone played on the piano with his voice. Now he can, and he believes Posit Science helped. In one of the program's activities, users are asked to listen to two tones played in rapid succession and then decide whether the second was higher or lower than the first.

Doubts have been raised about whether computer brain training programs are engaging enough to maintain people's interest. Morrisett, though, says he had no trouble staying motivated in the Posit Science program. Seeing his progress over time helped. "It's highly rewarding," he says. "I looked forward to it."

Morrisett can imagine companies, such as those in the financial sector, offering Posit Science training as a perk to employees. "I would think that some companies certainly will try it out," he says.

Behind Morrisett's guess is a vision of blending tech with a population in need of help. Back in 1968, when he co-founded Children's Television Workshop, it was television and disadvantaged children. Now it's computers and older people trying to keep mentally fit as careers stretch out.

"I think there's going to be quite an interest in staying sharp over a longer period of time," he says.

—E.F.

Lloyd Morrisett, inset, helped create *Sesame Street* in the 1960s. Today, he is an advisor to Posit Science, a software firm hoping to sell its brain fitness products to companies as a workforce training tool.



RICHARD TERMINI, COURTESY PBS

Some advocates for computer brain fitness products say software training should be part of a broader range of brain health activities, including walking and swimming.

Paul Nussbaum, a neuropsychologist and chief scientific officer of Fit Brains, suggests a five-part program for brain health, with attention to socializing, physical activity, mental stimulation, nutrition and spirituality.

#### TARGETING THE WORKPLACE

Until now, companies haven't paid much attention to brain health, Nussbaum says. He notes the way corporate health fairs typically have tables set up for diabetes and bone density. "There's nothing at these health fairs focused on the brain," he says.

Corporate training departments also have ignored sharp-

# SPECIAL REPORT

## TRAINING & HR TECHNOLOGY

ening basic employee mental skills such as memory or language processing.

The graying of the workforce may change that. The number of U.S. workers 55 and older is projected to grow by 46.7 percent between 2006 and 2016, according to a December report from the Bureau of Labor Statistics. The rate of expansion in the number of those older workers is nearly 5.5 times the 8.5 percent growth projected for the labor force overall. People 55 and older are expected to make up 23 percent of the workforce in 2016, up from 17 percent in 2006 and 12 percent in 1996.

Amid numbers like these, brain fitness software firms are eyeing the workplace as potentially lucrative.

Michael Cole, founder and CEO of Vancouver, British Columbia-based Fit Brains, says the "corporate wellness" market is a good fit for his firm. In other words, he imagines companies offering access to his software as a health benefit. Fit Brains is in talks with a company that already provides employees with software to track their physical fitness and nutrition.

"It's something we're looking to get into," Cole says. "There's tremendous interest."

Nussbaum adds that company executives likely will invest in brain fitness for the sake of having sharper workers.

"I imagine these CEOs want [employees'] brains to be highly efficient," he says.

Happy Neuron.com also envisions selling into the corporate market. Laura Fay, COO of the Mountain View, California-based company, says information workers are a promising target audience. "Staying sharp with language and executive-function skills is absolutely critical," she says. "There's significant benefit from a corporate worker standpoint."

Happy Neuron.com is a subsidiary of France-based Scientific Brain Training, and in France the company has dabbled in workforce applications. A homeopathic products firm, for example, trained drivers with exercises designed to hone attentiveness and spatial skills.

Posit Science's Zimman gives the hypothetical situation of a 55-year-old employee who has 30 years of industry experience but a mind less sharp than that of an up-and-coming employee in his or her 30s. Boosting the memory and mental processing speed of the older worker could make a big difference, he says. "You can see how that worker could run circles around the young hotshot," he says.

At the same time, Zimman believes his software is likely to improve the performance of workers of all ages. And he likens the potential impact to the way companies regularly upgrade the processing power of their computers. "We're asking can you make for more productive workers by refreshing their processing abilities—that they probably haven't done, for the most part, since they were in the crib," he says.

### EARLY TESTS, CHALLENGES

A hint of the workforce possibilities in brain training software can be seen in the use of Posit Science's program by the Los Angeles Unified School District's adult education program. The district has trained more than 200 people in the software as part of a pre-existing memory enhancement class, says Arlene Torluecke, who coordinates older-adult programs for the district. Many students in the program are volunteer employees at sites like hospitals, and they have credited the software for a better work experience

thanks to a sharper mind, Torluecke says. "They're appreciating it," she says. "People are feeling more in charge."

Still, there are questions about whether the programs are interesting enough to hold employees' attention. Among the skeptics is Nussbaum. "I'm not convinced that over the long haul a baby boomer is going to take the time to sit down and do these computer exercises," he says. He says Fit Brains is working to make its games fun, personal and practical. Cole adds that the firm aims to create a sense of community around the exercises. He plans to make it possible for people to play a game together.



**There are questions about whether the programs are interesting enough to hold employees' attention. "I'm not convinced that over the long haul a baby boomer is going to take the time to sit down and do these computer exercises."**

—PAUL NUSSBAUM, a neuropsychologist and chief scientific officer of Fit Brains

Brain training software faces other possible challenges in the shape of neurosurgeons and pharmaceutical firms. Increased knowledge about the brain raises the prospect that surgical procedures will emerge that enhance the mind, perhaps with computer implants. Drugs already have been developed to combat Alzheimer's disease, and there's talk of "cosmetic neurology" in the near future, where humans can effectively control their brain chemistry.

Zimman, though, isn't worried much by those trends. He says people are wary of invasive surgery and pharmaceutical solutions. A Posit Science survey conducted in 2004 found that 88 percent of those questioned preferred brain fitness exercises to taking a pill.

Even so, might not aging employees fear being labeled soft in the head—or worse—if they agree to train their brains? Zimman doubts the software tools generally will be looked on as rehabilitation therapy or anti-senility treatments. He says his firm wasn't sure exactly what to call its program, but that early customers came up with the concept of "brain fitness"—a term that draws a positive connection with the physical fitness arena.

"The boomer cohort is embracing it," he says.

wfm

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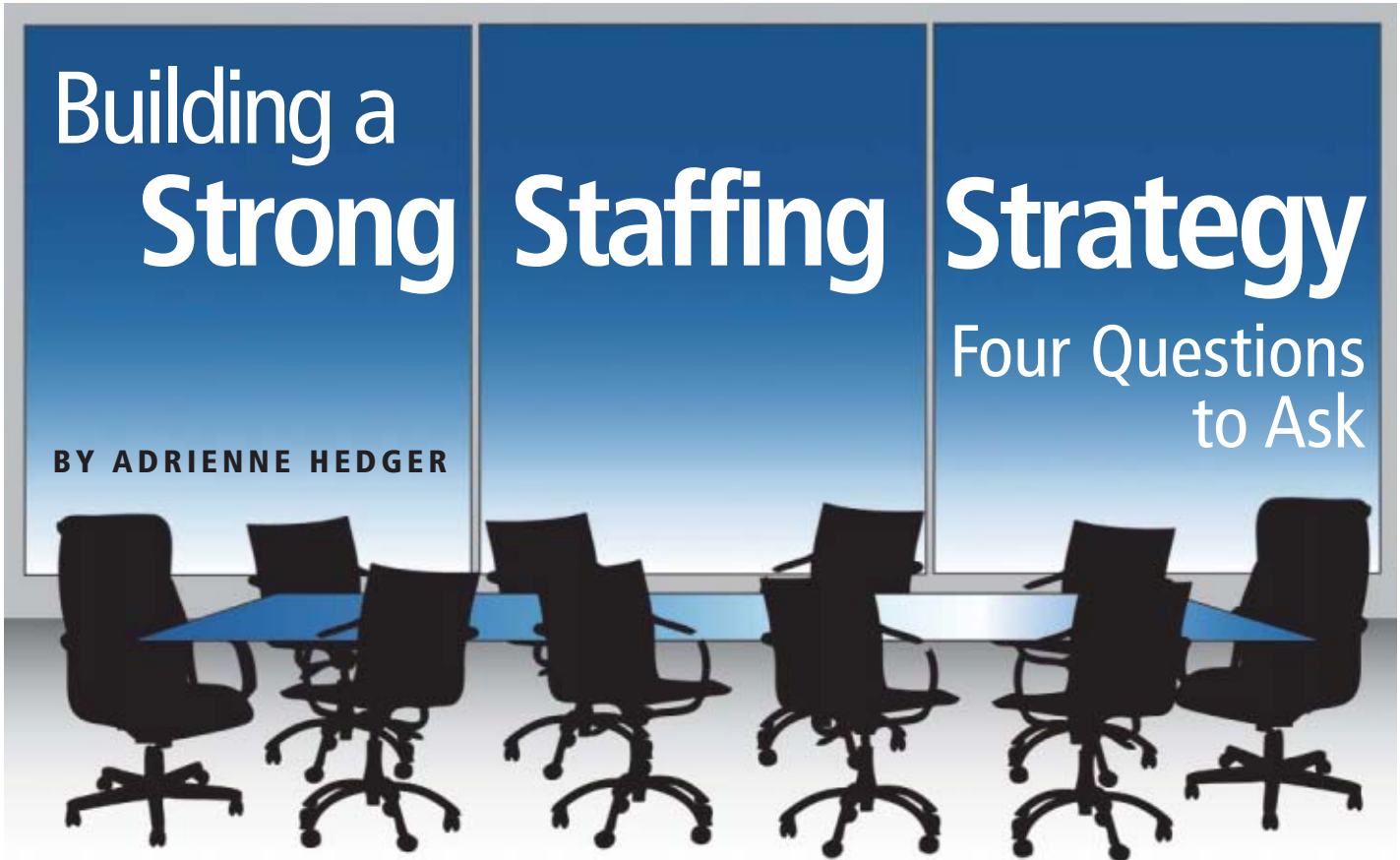
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# Building a Strong Staffing Strategy

## Four Questions to Ask

BY ADRIENNE HEDGER



The heat is on in the staffing world. With baby boomers **retiring** and job growth remaining steady, it has become a **candidate's market**. In this competitive landscape, what can your company do to stand out, and get the **best talent** in? Start by asking yourself these four questions.

**PEN JOBS.** Not enough talent to go around. What's a company to do?

If your HR department is concerned about staffing, you're not alone. Companies are feeling labor-shortage pressure, as they compete for talent and try to fill jobs left vacant by baby boomers.

To address these challenges, leading companies are focusing on the elements that make their company unique, and they are taking a second look at their recruiting practices—to make sure they are evolving with the times.

Is your staffing strategy positioning your company for success? Ask yourself these questions:

- ▶ What's ahead?
- ▶ What is our recruiting brand?
- ▶ Who do our current employees know?
- ▶ Are we focused on the right areas?

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### Question 1: What's Ahead?

First things first: what can we expect in 2008? At a macro level, analysts predict that this will be a year of steady growth for many large U.S. employers, with retail, health care and hospitality sectors seeing the highest increase in jobs<sup>1</sup>.

Growth will pick up in the second half of the year, according to Moody's [Economy.com](http://Economy.com). An average of 73,000 new jobs is expected to be created in the first six months of 2008, increasing to 100,000 per month in the final six months of the year.

In addition, the job market for executives is expected to boom<sup>2</sup>, due to the continuing departure of baby boomers. But this puts added pressure on companies, notes Tricia Davis, Marketing Coordinator for Pro Staff. "The positions that baby boomers are leaving are typically harder to fill," she says. "They require more skills and experience, and it takes longer to find the right candidate."

In response to the increased competition for talent, Recruitment Process Outsourcing (RPO) will continue to expand in 2008. "We're seeing a lot of growth in this area," says Jamie Minier, Chief Operating Officer of The RightThing, Inc. "More and more companies are looking at outsourcing, and RPO offerings are growing more sophisticated."

RPO is also increasing in concert with global expansion. As companies open offices overseas, the need for skilled local talent is becoming more intense. But local regulations and hiring practices can differ greatly from country to country, making it a challenge for HR practitioners to keep up.

"The demand for global staffing has grown faster than we expected," says Minier. "In the middle of 2007 our clients came to us with urgent requests for global support."

"We've seen the request for RPO services increasing, and the request for global support," agrees Diane Shelgren, Executive Vice President, Strategy & Client Development at Veritude. "However, we have also experienced less demand for end-to-end services and more demand for targeted, shorter-term or project-based deals."

Overall, the year ahead is one of continued growth and change. And with increasing competition for talent, it will become increasingly important for companies to differentiate themselves from the competition.

One strategy: pay attention to your recruiting brand.

### Question 2: What is Our Recruiting Brand?

When job candidates research your company and apply for jobs, they have a certain experience—good, bad or indifferent. And in their mind, this experience is part of your company's brand. It influences their decision to accept a job offer or look somewhere else.

What exactly do candidates experience when they interact with your company? Is the process common across different groups? Is it memorable in any way? Do candidates get a sense of what sets your company apart?

"Too many companies treat the recruiting process as a transaction, and the most talented candidates don't want to feel like a transaction," says Shelgren. "You have to build a relationship with them, and this starts with your company's brand—the value you are offering the candidate."

Some companies are spending considerable amounts of time and money in this area—even hiring consultants to develop recruiting slogans and create communication campaigns. While that strategy can work, the most important step is to identify the strengths of your company culture—and understand the weaknesses as well. Then compare yourself to competitors. (After all, this is exactly what job seekers will do.) This comparison will help you decide which aspects of your company culture to highlight—and how to respond if candidates ask about areas that need improvement.

Since it's difficult for people inside the company to experience the job application process, some companies are hiring consultants who will go through the organization's application process, then report on their experience. This first-hand feedback can give you new insights about your processes and image—and help you identify areas for improvement.

"Today, it's critical to establish your company's brand to the candidate," explains Shelgren. "What they will gain by working for you? What is your culture? What is your mission? And, it's imperative that this value proposition is consistent across all mediums. For example, if a job description for an IT position promotes your state-of-the-art technology but your website is outdated, that sends a powerful message, and one you can't afford to send in a tight job market."

"Recruiting is like sales," notes The RightThing's Minier. "You're trying to figure out how to sell the candidate on your company, then close the deal. And your competitors are doing the exact same thing."

Tricia Davis from Pro Staff notes that the best way to develop a recruiting brand is to talk to your existing employees. "Ask them what they like about working for your company," she

<sup>1</sup> "A Look at the Hiring Picture For Big Companies in 2008," *Wall Street Journal Career Journal Online*, December 27, 2007  
<sup>2</sup> Association of Executive Search Consultants, Q3 2007 AESC State of the Executive Search Industry report



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## How Does Your Web Site Measure Up?

Your company's Web site is one of the first places potential candidates may visit. But according to the Job Seekers and Employees Report conducted by Staffing.Org, there are three problems common to corporate web sites.

1. Poor quality. This includes navigation, design and information quantity and well as quality.
2. Questionable assertions. Staffing.Org noted that, "When our respondents do elect to spend time on a site, they tend not to trust what they see there. Only 3 percent believe companies consistently tell the truth about themselves." This is where comments and quotes from current employees come in. They not only lend credibility to your site, they help potential hires understand why they should choose your organization.
3. Specific Information. Candidates want specific, detailed information about salaries and benefits, including comparisons with other companies. They also want to hear about lifestyle benefits, including flexible hours, work-at-home options and work-life balance. And they want to read about training and development opportunities.

"Our respondents overwhelmingly report that a poor website is either a disqualifier or a serious red flag when submitting a job application," reports Staffing.Org.

says. "You might be surprised by the answers."

She recalls a focus group that Pro Staff held for a leading electronics company. "We asked them what they value about working for the company, and we thought they would mention the beautiful new high-tech building they worked in," recalls Davis. "But that's not where the conversation focused. Most of them said they liked that there was a high growth potential at the company. They liked the cross-training and all the learning opportunities, and they felt like they were more in control of their careers. That something we wouldn't have known."

You can use this employee insight to create a recruitment message that resonates with job seekers—and help them understand the "what's in it for me" proposition.

You can also ask employees for permission to use their comments on your corporate employment Web site, to lend credibility to the assertions you make on the Web site. (see sidebar)

As you develop your brand, keep it as simple as possible—and reinforce it across all channels. "You want to create a positive candidate experience from beginning to end," says Minier. "Whether you send personalized 'thank you' e-mails, give away iPods, or provide people

with a 'Day in the Life' preview, it's important to do find ways to stand out and make candidates think, 'this is a great experience!'"

Of course, you'll also want to make sure your recruiting brand is tied to your company's larger corporate brand so there is alignment and a common story. Think of it like this: Your corporate brand differentiates your company in the larger marketplace, and your recruiting brand differentiates you in the job market by answering the question, "What's in it for employees?"


### Question 3: Who Do Current Employees Know?

There is a vast network of contacts, family and friends that is unique to your employee base—and this network is an excellent place to find qualified candidates.

One popular strategy is to start a referral program, asking your employees to refer candidates for open jobs. For successful referrals, employees can receive time off, a gift, a cash reward or other prize.

Employees are likely to suggest people who are reliable and qualified, since they have a stake in the job candidate's success. And according to a study at Ohio State University, employees





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## LEADING THE WAY IN STAFFING

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who are hired through referrals have a 25 percent higher retention rate than employees hired through other methods.

Leading companies also encourage their employees to join networking associations, including social networks. And some even designate time (such as an hour every Friday) for employees to visit social networking sites such as Facebook and Linked In. While there are numerous benefits to having employees networked in their industries, one of the key ben-

efits is that employees can help identify skilled candidates for open jobs.

In fact, when it comes to social networking, activity is booming—and staffing companies are definitely embracing the strategy, says Minier. “Social networking is huge right now,” she confirms. “From blogs to chat rooms to online directories, there are so many new ways to reach potential candidates.”

Encouraging your employees to stay involved in industry associations or networking

groups creates one more path to qualified candidates—a path that is unique to your employee base and may give your company an edge on the competition.

“When developing your recruiting strategies, put yourself in the role and think like a candidate,” advises Shelgren. “What are their social patterns, where will they be looking for jobs, and so on.”

By using this type of strategy—and applying it to the networks employees have established—you can give your company an edge on the competition.

### Question 4: Are We Focused on the Right Areas?

There are many staffing strategies; the question is: Does your approach fit your needs?

For instance, as talent grows scarce, you may be increasing your focus on passive job seekers—the high-performing employees who are working for your competition.

“Because passive job seekers are already employed, you need to use different strategies to reach them,” says Davis. “You need to spend a lot more time and energy convincing them that your organization is an ideal fit. You also need to be more confidential and more patient. Many of these people don’t have an updated resume.”

Finding these passive candidates requires a mix of referrals, database mining, competitive intelligence, niche Web sites, associations and peer-to-peer networking<sup>3</sup>. These tactics need to be worked into the larger recruiting plan, which typically involves job fairs, job boards, company career sites and advertising.

Planning and executing all of these activities can be time-consuming, which is why some companies are deciding to take an outsourcing approach. But if you do outsource your recruiting activities, it’s essential that the staffing company understands your organization’s culture.

“You need a partner who will learn your company inside out,” says Minier. “You want the recruiters to go on ride alongs, tour your facility, get trained on new products and attend employee orientation.”

This level of involvement reflects a shift in the RPO industry. Where the outsourcing used to focus primarily on administrative tasks, it has expanded to include strategic recruiting as well.

“The combination of transactional and strategic elements is making RPO more successful and more attractive to companies,” says Minier. “But it also increases the risk, since companies are outsourcing a greater portion of



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<sup>3</sup> Pro Staff Report: “Talent Acquisition in a Tight Market,”  
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the work. We do a lot of work with clients to help them understand and mitigate any risks.”

Some companies, she notes, are opting for RPO pilots that last three months or longer. This way, they can test the program before making a substantial commitment.

With various levels of service available, companies can customize the outsourcing to fit their needs, and adjust the level of service over time. “We’re seeing larger and larger RPO deals,” says Minier. “As companies see the cost-effectiveness and efficiency, they want to outsource more aspects of the recruit-

ing process. We used to see organizations outsource recruiting for entry-level jobs, but now they are outsourcing entire bands or entire divisions.”

No matter which approach you take to managing your recruiting activities, it’s a best practice to track your activities and measure progress.

“Create a calendar to track your monthly activities,” advises Davis. “Then use this as a central source of information for that position. As you gather data, use it to update your metrics.”

For instance, how many hires did you gen-

erate from the job board? The radio spot? By tracking when activities occurred and how they impacted the job search, you can make strategic decisions about future spending.

Whether you use a calendar, a database or a software program, keeping track of this data will help you track your progress and course-correct as necessary.

Another plus: at the end of 2008, you’ll have all the data you need to answer these same four questions again—and ensure that your staffing strategy continues to deliver a powerful advantage for your organization. ■



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“More organizations need to develop a culture that ‘rewards the messenger’

and recognizes the risk people take for speaking up when something is not right.”

# Breaking the silence

IN THE MAIL | from our readers

**R**EGARDING “The Silent Treatment” (November 19, 2007): I believe Jeremy Smerd wrote an excellent article about the difficulty in health care to speak up and deal with honesty. Unfortunately the unwillingness of people to speak up is not isolated to that industry, and I believe it is more rampant today than I can ever remember. I have been in the human resources field for over 25 years, and we have seen this issue grow worse in the last 10 years, not better. To help with this problem, I have been working with organizations to begin to recognize that if they want a fully productive workforce, they need to have a culture of open and honest discussion and not just give the term “honest feedback” lip service. You never will gain commitment from employees if every time a person speaks up something negative happens to them. More organizations need to develop a culture that “rewards the messenger” and recognizes the risk people take for speaking up when something is not right.

Bob Phillips

RW & Associates Inc.

Co-author, Absolute Honesty:

Building a Corporate Culture That

Values Straight Talk and Rewards Integrity

## RACE AND THE WORKPLACE

KUDOS TO YOU for publishing the online article “Do Your Employees Consider Your Corporate Policies Racist?” ([workforce.com/racistpolicies](http://workforce.com/racistpolicies))

Whenever the topic of race is raised, everyone’s defenses tend to be heightened. By presenting the issue of race and the workplace in the context of employee perception, author Ann Carlsen coaxes employers to look at their organization with fresh eyes. Everyone wants to be considered “progressive” on this issue. However, only those organizations that are led by managers who value self-examination and input from others can make real progress. It takes courage to decide it is a top priority to examine how the organization is doing in terms of how its employees perceive their employer’s position on race and diversity.

Real changes in this area only happen from the top down. Perhaps a good question for CEOs to ask themselves is, Are they the ones to *initiate* dis-

cussions on how their company is doing when it comes to race in regards to hiring, promotions, programs, etc., or are issues of race always *raised to them* in the form of fires that need to be put out (in response to issues with frustrated employees, litigation and HR concerns of potential problems)?

One suggestion I have for *Workforce Management* is to take Carlsen’s suggestions at the end of her article further. Her suggestions do not give direction for the earnest employers who are ready to take her advice. Perhaps this article could be a great basis for a webinar series hosted by *Workforce Management* where employers could get input on what enacting these changes would look like, and what would it involve.

Michelle Brooks

Harrisburg, Pennsylvania

## CERTIFICATIONS WORTHLESS

REGARDING THE ARTICLE on whether HR certifications are worth the time and money (“What Are HR Certifications Worth?” [workforce.com/certifications](http://workforce.com/certifications)):

NO! Where I work, my salary is only about \$5,000 more than my co-worker, who only has a high school education but has been in this HR department over nine years with no certification. I have a PHR, BA degree and eight years of strategic HR management experience. We are both at the same level on title. When I was looking for a job, my PHR certification was worthless. I only applied to jobs I was qualified for. Yet six months later, I only had a stack of “Thanks, but no thanks” letters saying they went with someone who “fit their needs better.”

I am currently working after a tough job search, but am terribly underpaid and underutilized. I am still looking, but I don’t expect my PHR certification to make any difference.

Name withheld

## CORRECTION

AN INTERVIEW with Gail Fosler published in the November 19, 2007, issue of *Workforce Management* referred to her as the 91st president of the Conference Board. She is the 12th president of the 91-year-old research organization. **wfm**

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► Business strategies are purposely designed to flex whenever the economic environment shifts from expansion to contraction. Most HR departments, on the other hand, don't flex.

# Ready for a crash?

**THE LAST WORD** | By Dr. John Sullivan

**I**S THE ECONOMIC SKY really falling? It's hard to say with certainty, but you would have to have been living on a desert island to miss the very real signs of economic turmoil occurring in the world today. If you are a business-savvy HR leader, then, today might be a good day to begin shifting your HR strategy to better fit these unsettled times.

Unfortunately, most HR departments find it difficult to be agile. There are many excuses that can be offered for that rigidity, and nearly all of them relate back to the fact that corporate HR strategies are overly focused on transactional HR and compliance. Business strategies are purposely designed to flex whenever the economic environment shifts from expansion to contraction. Most HR departments, on the other hand, don't flex. They simply find a way to do everything they were doing before the contraction—just with less money (something that leads many executives to wonder whether the original budget wasn't inflated to start with).

Unfortunately, there are signs everywhere of an upcoming downturn, including fluctuating oil prices of about \$95 a barrel, layoffs in the auto, banking and pharmaceutical industries, and lingering fallout from the bursting of the credit bubble. The collapse of the subprime lending industry is rapidly triggering a broader credit crisis, as illustrated by the massive financial problems and CEO resignations at Merrill Lynch, Citigroup and Bear Stearns. (If the CEO must be changed, shouldn't the HR approach be changing also?) Regardless of your personal prediction of exactly when a downturn will come, it's important that you have a plan.

There are many elements of your HR strategy that should shift during a downturn. When economic conditions threaten growth plans, employees begin to shift their interest toward increased job security, resulting in less pressure on you to provide cost-of-living adjustments or to build outrageous compensation packages to attract and retain talent.

Now that the economy is cooling, with unemployment in December increasing to 5 percent, the relative supply of labor available to firms is increasing. This provides smart HR managers with an opportunity to cherry-pick from this expanded candidate pool, while simul-

taneously beginning a process for identifying and then releasing their own poor-performing employees. It's time to trade up, in other words.

Another shift that should occur when preparing for a downturn is an increased emphasis on maintaining a contingent workforce. This provides you with the opportunity to more rapidly shrink or expand your workforce to meet your firm's changing business needs. By expanding the amount of work that you outsource, as well as increasing the percentage of part-time and contract workers that you employ, HR gives managers the flexibility they need to quickly reduce their workforce by releasing contingent employees.

Although HR professionals are almost universally resistant to even discussing the need for layoffs, an effective overall strategy needs a component that allows labor costs to be reduced quickly. This often begins with HR conducting an assessment of how much "fat" there is in the headcount. If appropriate, HR can conduct a mock layoff to identify the positions that have the highest probability of being cut. In addition to cutting costs, the HR strategy must also have a component designed to increase worker productivity and output.

The best approach here is for HR to work with the CFO to identify a target "revenue per employee" number. This figure indicates the approximate value of the output produced by the average worker. HR can then work with individual managers to increase employee productivity through a number of approaches, including improved training, better metrics, programs for increasing innovation and an improved best-practice sharing process among departments.

It's almost impossible to successfully make the case that it's perfectly acceptable for HR to drone along without a contingency plan for an economic downturn. If you want to be a business partner, then you have to act like a businessperson. That means rewriting your current HR strategy and including in it plans that cover each of the most likely "What if?" scenarios. Adding this agility component will clearly demonstrate to senior managers that HR, just like marketing, finance, product development and supply chain, has an effective plan of action for any upturn or downturn—whenever one might occur.

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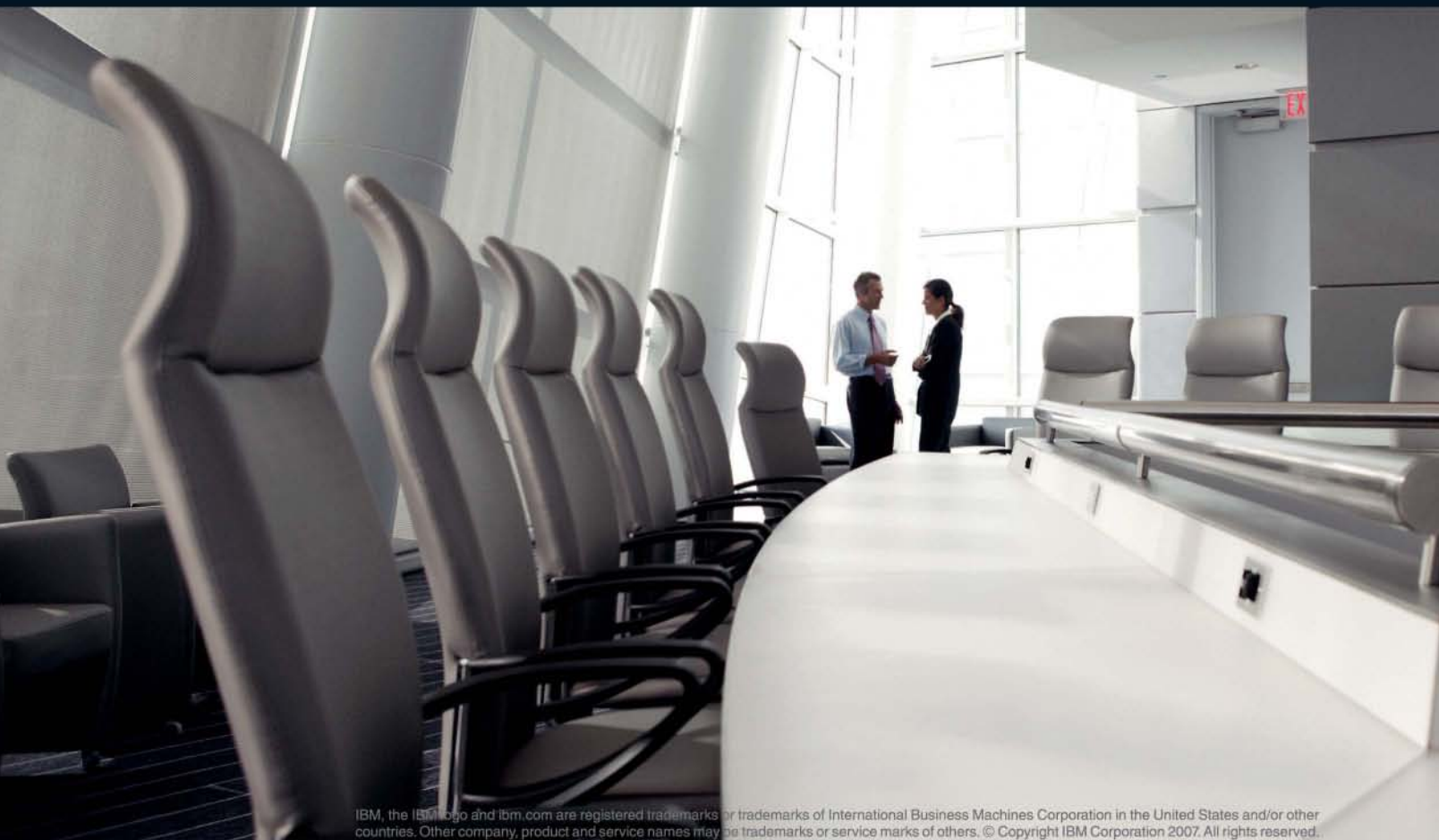
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