Creating Value Through People

by Mercer

The People Factor
DISCOVER AND MAXIMIZE YOUR ORGANIZATION’S MOST VALUABLE RESOURCE

QUICK OVERVIEW

Businesses spend significant time and money managing resources, but how much do they invest in empowering their most important assets? In Creating Value Through People, global human resources leader Mercer illustrates guiding principles of empowering and motivating people. Interviews with a carefully selected group of 20 human capital innovators reveal best practices for creating a culture of success, effective teamwork and retaining top-quality talent. These leaders highlight the crucial meeting point between strategy and execution, and provide many more valuable observations based on their years of experience as some of the most accomplished business leaders in the world. Refusing to rest on a “one-size-fits-all” mentality, Mercer offers this collection of interviews for business leaders to glean and incorporate principles that will maximize their organizations’ potential. This summary highlights key points of each of those interviews.

APPLY AND ACHIEVE

In this summary of Creating Value Through People: Discussions with Talent Leaders, you’ll hear from some of the world’s top entrepreneurs, visionaries and business leaders as they describe the ways they have fostered success in their own organizations. From sports franchise owners to retired military leaders to corporate CEOs, this diverse group offers insights gained from triumphs and mistakes on their paths to success.

The specific principles discussed may or may not work for your organization, because blanket strategies are no longer effective when it comes to today’s workplace. The key is to custom-design strategies for your business and foster a culture of teamwork, recognition and success unique to your organization.

While these leaders come from corporate backgrounds, the advice they share can be applied to businesses of any size and type. The stories they share can provide the inspiration to develop an atmosphere that maximizes the potential of the people in your organization.

SUCCESS Points

From this book you will learn:

- When it’s time to ignore rank and seniority
- It’s possible to expect and achieve high retention rates
- How to find and keep great people
- Innovative ways to recognize and reward your team
- How to create a culture that holds a company together
When Mike Abrashoff transformed the USS Benfold from one of the Navy’s worst-performing ships to the top of its class in a few months’ time during the first Gulf War, the U.S. Navy commander learned leadership lessons he believes are applicable to military and business settings alike. In his interview, Abrashoff details principles that are crucial to any group’s success:

• **Effective communication:** Knowing what the mission is and whether people understand its importance is necessary for a group’s survival. Communicating with the greatest amount of clarity so that everybody understands where you’re going, what you’re doing and why it’s important, is critical.

• **Technical competence:** A team has to respect its leader’s technical abilities in order to believe he or she has sound judgment and can lead them in the right direction. Leaders have to be technically competent and able to engage their people so that they understand where they are being taken and why. The bottom line is, a leader has to convey to the people why it’s in their own best interest to support him or her.

**BACK TO BASICS**

For decades, McDonald’s has been one of the most recognizable brands in the world. A corporation of this magnitude naturally involves a lot of capital investment and real estate expenditures. But for Jan Fields, the global success of McDonald’s comes down to one crucial element: people. McDonald’s recognizes the importance of balancing customers, employees and the home-office staff. By placing an emphasis on listening to these three groups, McDonald’s has recently executed a significant turnaround. Customer satisfaction is higher, and while industry employee turnover rates are upwards of 250 percent a year, McDonald’s keeps its turnover rate at 125 percent.

“We didn’t change the fundamental structure, but employees, let’s face it, like to be on winning teams,” Fields says. “And if you understand why it is they’re leaving, and you talk to them, and you show them some love, sometimes that’s all people need.”

**ONE SIZE DOES NOT FIT ALL**

Anne Ruddy, executive director of WorldatWork, believes healthy and growing organizations utilize tailored motivators rather than blanket motivational strategies. And here’s why:

• **Different people have different motivators.** Because many organizations are changing as society is changing, people need to be rewarded and recognized much more holistically than they were in the past. This means managers and business leaders must recognize people as individuals in order to get them to contribute as much as they’re capable of contributing in a workplace.

• **Gone are the days of working only for a paycheck.** It’s essential for managers and business leaders to think beyond the narrow idea of salary. Health care, pensions and the need to balance families with careers—especially since more women have joined the workforce over the past several decades—have moved to the forefront.

**POSITIVE CHANGE ONLY HAPPENS IN POSITIVE ENVIRONMENTS**

Dr. Richard Boyatzis, professor, Weatherhead School of Management, Case Western Reserve University, is a proponent of the view that there are positive and negative emotional attractors that influence the way people in organizations behave. According to Boyatzis, an organization’s emotional life has a real and immediate impact on the bottom line. Negative emotions don’t lead to positive change because emotional attractors close people down. Positive emotions, on the other hand, like those associated with praise, have the effect of opening people up. When they are open, they are receptive to guidance, new ideas and new ways of thought. When the atmosphere is positive, people are more likely to take risks.

“There is a strong correlation between positive emotions and success,” Boyatzis says. “If people are happy, they work harder, and if they work harder, they are more likely to succeed.”

According to Boyatzis, the key to creating a positive environment is resonant leadership. A resonant leader establishes leadership relationships with the people around him in which everyone feels in tune with each other. Resonant leaders set a positive emotional tone overall and a sense of hope that tends to lead to compassion. They create an environment in which people care about each other and where a high degree of authenticity exists.

In contrast to resonance, dissonance tends to be an organization’s default setting. In reaction to stress, people tend to become more dissonant with themselves, their bodies,
families and workplace. They lose touch and eventually become ineffective.

LEADERSHIP PREPARATION: PRACTICAL, LOCAL AND FAST

Many organizations strive for perfection. But in doing so, are they missing something? Robert Joy, a former SVP with Colgate-Palmolive who currently serves as a professor at Rutgers University, believes so.

“Get commitment, and then start,” Joy says. “Make sure you do what you’re doing within the context of your business model. And if it’s not perfect, don’t worry about it. I don’t think you ever have a perfect product launch, and human resources is no different. Once you get buy-in, commitment and line ownership of the process, you can figure out the rest as you go.”

So what are some important factors when building and advancing an organization?

• Credibility. For credibility to exist, an organization must have people who understand the business, the business model and the culture.

• Establish accountability. Make leaders responsible for their departments. For example, make general managers responsible for all the high potentials in his or her particular company. And make the functional heads responsible for all the high potentials within their function.

• Instill pride. Design jobs that help people take pride in what they’re doing.

SET BIG GOALS, GIVE PEOPLE FREEDOM

Effecting big change in seemingly impossible circumstances is something to which Joel I. Klein is no stranger. As chancellor of the New York City Department of Education, Klein took something that had been labeled with a negative reputation and, with no experience running a school system, made drastic improvements. One crucial step that is building the school system’s success is the combination of monetary and nonmonetary compensation.

“What’s the nonmonetary? The working conditions, their excitement about their job and feeling part of a successful enterprise,” Klein says. “And one of the things we need to do is to both rearrange the monetary and then increase the nonmonetary. So those that are highly stable, that have several hundred people apply for every vacancy, in those schools, it’s all aligned. The mix of monetary and nonmonetary is working.”

THE TAO OF MANAGEMENT

Instead of clinging to what used to work, John Tyson, chairman of Tyson Foods, is deeply in touch with the changing demographics that affect his organization. His company’s response to the younger generation is Talent, Alignment and Optimization (TAO), an innovative talent bench strength initiative. Here are some of the ways this philosophy works:

• While their parents and grandparents stayed in the same careers for decades, younger employees require variety and change. To answer this need, Tyson offers “experience paths” as opposed to career paths.

• Younger employees are prone to being lured away by other companies. TAO combats this by giving young employees a vision for their future with the company—a reason to stay.

• Through TAO, the company tries to understand employees’ talent levels and what their needs are to help move employees around within the company to positions in which they can work the most effectively.

THE PURPOSE-DRIVEN COMPANY

As the leader of the one of the world’s top five biotech companies, Henri A. Termeer, chairman, president and CEO of Genzyme Corp., believes in purpose. He also believes in people who believe in purpose, and he puts a lot of effort into filling his company with them.

“The purpose is to come up with these treatments that work for patients and to make sure that patients, wherever they are, get them,” Termeer says. “You can’t just be flighty or uncommitted. Making that clear to everyone beforehand helps to select people who come for the right reasons.”

Properly motivated people have a lot to do with the company’s excellent retention rate, Termeer says. Other reasons include:

• Engaging in something bigger than an individual’s interest. With this comes the feeling of progress, instead of
simply a feeling of hope or expectation.

• A collaborative environment that is competitive but respectful.
• Having courage. “What we do is not without risk,” Termeer says. “I think the future will be bright if we don’t lose our courage in what we do.”

SET A COURSE, STICK TO IT, MEASURE YOUR PROGRESS ALONG THE WAY

As the chairman and CEO who led the worst-performing airline in the industry to status as a profitable and respected company, Gordon Bethune has a deep knowledge of what it means to turn a company around. In his interview, he shares some insight into the strategies that lay at the heart of the transformation of Continental Airlines:

• Focus on the right things. A company’s definition of success has to be its customers’ definition of success.
• Define your primary metric—the most important key to the company’s success—and build around it.
• Motivate your team to work harmoniously by rewarding everyone for reaching team goals.
• Keep morale up by keeping the system working smoothly.

These principles eventually earned Continental, an airline with the worst reputation for running late, the label of being the most on-time airline in the industry.

“That’s what happens when you get focused,” Bethune says.

TRANSPARENCY

Linda A. Hill, a professor at Harvard Business School, has spent years dissecting the innovation puzzle. In her interview, she keeps returning to one piece: transparency.

Companies with transparency are better able to retain talent than others, Hill says.

“The more information people have about what is going on in the company, the better able they are to assess their impact and ability to contribute,” she says.

Transparency also helps managers have a necessary sense of control over ensuring that people comply with policies and standards.

“Transparency helps managers monitor behavior,” Hill says. “I think we’ve reached a whole-new level of transparency in some organizations, and that helps make work intrinsically motivating.”

THE PEOPLE AGAINST WHOM YOU COMPETE ADD TO YOUR VALUE

Baseball is a game that has long been an integral part of American culture. But Billy Beane, vice president and general manager of the Oakland Athletics baseball team, illustrates how baseball is not just a game; it’s a business where principles that guide boardroom decisions also play out in baseball stadiums across the country.

Baseball is also a business in which emotions run high.

“When I make talent decisions, I’m dealing with a lot of emotion and a lot of noise. There’s noise in the financial markets, but there’s probably no greater noise than there is in sports,” Beane says. “So I think of my philosophy this way: The better I am at ignoring the noise, the better my decision-making process will be.”

The sports world also demonstrates the value of competition. For example, the Oakland A’s don’t enjoy an international brand name the way the New York Yankees do.

“When the Yankees become an international brand name and their franchise value goes up, my value goes up because I’m in the same business,” Beane says.

YOUR PEOPLE ARE PART OF YOUR CUSTOMER’S EXPERIENCE

At the top of Carnival, the world’s largest cruise line, Micky Arison is also chairman of the Miami Heat basketball team. At first glance, these industries seem to have nothing to do with each other. But in his interview, Arison describes the striking similarities between the two:

• Similar management skill sets. “From the business point of view, the skill sets are similar and the desire to win and be competitive is critical in both,” Arison says.
• Similar cultures. Coaches build cultures of sports teams; managers build cultures of businesses.
• Key element of needing the right people. In both the cruise line and sports arenas, people must be equipped to do their jobs and then allowed to do their jobs, Arison says. This must begin with the leader being completely committed to the organization’s goals. Then the leader must get the right
people, give them the tools they need to do their job, and then let them go to work. Leaders can strengthen areas of weakness by bringing in the right people or consultants.

“There may be some weakness that undermines your effort,” Arison says. “But those can often be overcome as long as you’re absolutely committed to what you’re doing.”

“You have to give people the opportunity to be successful,” he says.

ENCOURAGING YOUR TEAM

When Linda Smith founded Four-D College in 1992, part of her vision for the school was that students would be served by the school as part of the school’s mission. Eighteen years, 6,000 graduates and numerous awards later, it’s clear that Smith’s service formula is working. Four-D’s unique Encouragement Committee is one example of how the college serves its students out of genuine compassion. Instead of operating as a disciplinary board, the Encouragement Committee identifies problems a student may be having and explores solutions. The result, Smith says, is the success of the student.

Can principles like the ones behind the Encouragement Committee be applied in the business world? Yes, Hill says.

“I do think that if companies looked at saving their customers, I think it would enhance the overall level of performance and enhance the quality of who they are,” she says. “You may not be the biggest in the industry, but your quality would become better.”

HOW INCLUSION HEIGHTENS COMPETITIVENESS

An advocate for women in the workplace since 1962, Catalyst is a nonprofit corporate membership organization with offices in the United States, Canada and Europe. The Catalyst Award is given for broad-based initiatives that create measurable change inside organizations and enhance advancement opportunities for women. In her interview, Ilene H. Lang, president and CEO of Catalyst, outlined the award’s criteria. Winning initiatives must:

• have originality
• have replicability

A key element to possessing these qualities is teamwork. Lang stresses the need for diverse teams—consisting of people with different strengths and weaknesses—that work well together. Raising different opinions is crucial, so an innovative, diverse team will also have members who are not afraid to talk about difficult subjects and who won’t make assumptions about people who are not like them.

“The best way to do that is to have diverse team members that bring to the table a variety of opinions from a range of different backgrounds,” Lang says.

PUTTING THE RIGHT PEOPLE IN THE RIGHT JOBS

Ron Sargent, the CEO of Staples Inc., shares philosophies and practices his company employs in finding and keeping the best people for the job.

Find the Right People:
• Instead of paying search fees for outside firms to locate talent, Staples functions as an internal search company within the company. The internal company does search outside the company, but it has a much more solid grasp of what Staples is looking for because it’s from within the company.

• Staples also uses a college recruiting team that only acquires people graduating from college.

• Staples utilizes a behavioral assessment test similar to the Myers-Briggs test when hiring.

Retaining the Right People:
• Staples prioritizes hiring from within.
• The company offers competitive pay.
• To put a piece of the company in everyone’s hands, Staples employs an ownership culture through company stock.

IT’S NOT JUST THE COFFEE, IT’S THE EXPERIENCE

Howard Behar, former president of Starbucks’ North America and International divisions who currently serves on the company’s board of directors, believes in people so much that he helped
build a company around them. Today, Starbucks is one of the most recognizable brands in the world. In his interview, Behar shares knowledge on building a people-oriented culture within an organization.

Building a Unique Culture
- Take the time to recruit and evaluate good talent. Look for people who are talented, smart, humble and who will fit into the unique culture of the organization.
- Look for people who offer diversity of ideas and thoughts. Don’t be afraid to dig deep to get to know your people. “People are very complex,” Behar says. “The more ways you see them and the wider the lens through which you view them, the better off you are and the more effective a leader you are.”
- Give them autonomy and power to accomplish goals their way. Give them broad operating procedures, but encourage them to do what it takes to accomplish their tasks.
- By structuring an organization in this way, you will create an environment in which people can succeed. Human resources policies need to be centered on this goal. It is the heart of good leadership.

“We had a lot of cool opportunities for people,” Behar says. “I think that is one of the reasons that our turnover and attrition was so low. We recruited good people, created a great culture, had a strong brand and had plenty of opportunities for our stars.”

About the Author
Mercer is a leading global provider of consulting, outsourcing and investment services, with more than 25,000 clients worldwide. Mercer consultants help clients design and manage health, retirement and other benefits and optimize human capital.

M. Michele Burns is chairman and chief executive officer of Mercer, a subsidiary of Marsh & McLennan Companies (MMC). Burns began her career with Arthur Andersen and, over the course of her successful 18-year tenure, rose to senior partner, leading Andersen’s Southern Region Federal Tax Practice, headed its U.S. Healthcare Practice and its Southeastern Region Financial Services Practice, and served on its Global Advisory Council.

Burns currently serves on the board of directors of Walmart Stores Inc. and Cisco Systems Inc. She also serves as treasurer for the Elton John AIDS Foundation. She graduated summa cum laude from the University of Georgia, with a bachelor’s degree in business administration and a master’s degree in accountancy.

Recommended Reading
If you enjoyed the summary of Creating Value Through People, please visit your favorite bookseller to purchase a copy for your library. You may also want to check out:

Building Tomorrow’s Talent: A Practitioner’s Guide to Talent Management and Succession Planning by Doris Sims and Matthew Gay

Mass Career Customization: Aligning the Workplace with Today’s Nontraditional Workforce by Cathleen Benko and Anne Weisberg

Collaboration: How Leaders Avoid the Traps, Create Unity, and Reap Big Results by Morten T. Hansen