

SOUNDVIEW Executive Book Summaries®

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HUMAN RELATIONS

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CONTENTS

Qualities and Characteristics Of a Great Corporation

Pages 2, 3

Diagnosing Your Corporate Culture

Pages 3, 4

How One Company Conducted an O-MRI

Page 4

How to Find Great People

Pages 4, 5, 6

Balance Compensation And Intangible Benefits

Page 6

The Best Candidates May Be Found Inside Your Company

Pages 6, 7

Getting New Employees Off On the Right Foot

Page 7

Why Good People Leave

Page 8

What This CEO Thing Is All About

Page 8

Become an Employer of Choice to Attract and Keep the Best Talent

EMBRACING EXCELLENCE

THE SUMMARY IN BRIEF

Whether the economy is growing or slowing down, the demand for “A” players never ceases. Not only do other companies compete to hire them, they try to lure them away from you.

Why would a top-level performer choose one company over another even when the competition offers a “better deal”? The surprising answer lies in the corporate culture. “A” players are attracted to and stay with companies whose corporate culture is one that embraces excellence and is committed to values, vision, creativity, trust and respect.

In this summary, you will learn how to create such an environment and attract the “A” players you want and need.

What You’ll Learn In This Summary

- ✓ **Why corporate culture is the key to employee retention.** Workers won’t stay if your culture is one of domination, autocracy and inflexibility.
- ✓ **What qualities define a great corporate culture.** People want to work for companies with fair compensation systems, that encourage and appreciate quality work, and that value growth and development.
- ✓ **How to find, recruit and hire great people.** Whether hiring from the outside or promoting from within, the key is to match people with jobs that suit their training, experience and personality.
- ✓ **Why pay is only part of the equation.** Studies show pay, if satisfactory, is low on the list of reasons people look for other jobs.
- ✓ **How to get new employees onboard successfully.** New workers need to be mentored, oriented and trained early on.
- ✓ **Why good people leave and how you can stop them.** Integrate “A” players into the culture and look for clues to dissatisfaction, and you can often prevent defection.

EMBRACING EXCELLENCE

by Franklin C. Ashby, Ph.D. and Arthur R. Pell, Ph.D.

— THE COMPLETE SUMMARY

Qualities and Characteristics Of a Great Corporate Culture

Keeping good people is hard. Gone are the days when workers spent their career with one company. Employees are constantly exploring new options. Turnover and loss of key employees has compelled companies to do something. They have increased salaries and offered bonuses, but it's not enough.

What does matter is the organizational culture of the company. All companies have a culture — a corporate way of life. Companies that are dominating, autocratic and inflexible have the highest turnover rates regardless of pay. Corporate cultures built on participation, cooperation and communication keep good people.

How Well Do You Use Your Talent?

Organizations that focus on the use of the best talents of their employees have a much lower turnover rate than those whose emphasis is primarily on productivity.

How can you change the corporate culture so that your company shifts from a productivity-obsessed organization to one that is more creative, problem-solving, dynamic and exciting? Success requires more than the full commitment of top management. You must create a climate that stimulates people to challenge current practices and to develop and implement new ideas.

The organizational culture, as perceived by the employees, dictates how they think about their jobs, perform their functions and plan for the future. If workers are convinced the company is truly concerned about quality, they will make every effort to produce quality work. But if workers think the company's talk about quality is just lip service, the "quality" program will be ignored. Actions speak louder than words.

Ten Features of a Great Company Culture

A great company culture will include the following ten features:

- 1. An almost missionary zeal.** Examples include Microsoft and Wal-Mart, where enthusiasm and excitement permeate the culture.
- 2. A sense of pride, sincerity and cooperation.** Examples include Nordstrom and Home Depot, both known for providing customer satisfaction.

Putting Customs on Trial

There's an old Chinese story about a general who assumed command and discovered a sentinel posted at a seemingly unnecessary spot. The sentinel told the general there had always been a sentinel at that spot. It turned out that 200 years ago an empress had posted a sentinel at her rose garden. The empress and the rose garden were history, but the sentinel was still there. Do you have similar customs followed by the organization because that's the way it's always been done?

Every policy and practice should be put on trial for its life. Periodically ask, "Does this practice serve a purpose?" If not, get rid of it. Don't waste time guarding extinct gardens.

3. An attitude of constructive discontent. These companies never stop looking for ways to improve things. They are never entirely satisfied.

4. A value-based mind-set and management style. Companies such as Merck, which has given away valuable drugs to poor countries, do so because not doing so would mean the company no longer stood by its value to preserve and improve human life.

5. An emphasis on creativity and innovation. Companies must budget for innovation.

6. A focus on building role models, not just leaders. Perhaps the best example of this idea in practice is the CEO of Malden Mills, Aaron Feuerstein. When Malden Mills burned down, he kept workers on the payroll while he rebuilt the plant. It cost him millions, but saved the

(continued on page 3)

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Qualities and Characteristics Of a Great Corporate Culture

(continued from page 2)

small town in which his factory was the main employer.

7. A sense of high expectations and professional standards. Corporate cultures like the one at Hewlett-Packard imbue the workplace with a culture of excellence. The result is innovative new ideas and superior products.

8. A fair, commensurate compensation and incentive program. Companies like Wal-Mart and Microsoft let workers share in profits.

9. A habit of celebrating successes. Companies that show appreciation for success inspire more of the same.

10. Adhering to the golden rule. Companies that do unto others as you would have them do unto you succeed. ■

For more information on what workers and managers hate about each other, go to: <http://my.summary.com>

Diagnosing Your Corporate Culture

Before an organizational culture can be changed, it must be assessed. Too many managers deceive themselves about their organization. They know the figures: sales volume, market share, production, payroll and all the tangible statistics. But they delude themselves on such vital information as employee attitude and morale, the skill level of their people, their willingness to cooperate and extend themselves, and the commitment of staff at all levels to company goals.

It's human nature for people to see what they want to see. People tend to ignore what doesn't agree with their perceptions.

As a result, many senior executives have no idea that their perceptions of themselves and their companies aren't shared by the rank-and-file. Workers aren't likely to express negative feelings about the boss or their company for fear. They keep their feelings to themselves, where they fester. And managers misread worker compliance as total agreement with company policy. To managers, this agreement is reality. If culture change is to take place, the first step is to identify what employee perceptions are and how they developed.

Implementing the Organizational MRI

Doctors use a diagnostic tool called Magnetic Resonance Imaging (MRI) to look deep inside the body. The same concept can be applied to let managers look deep inside their businesses, to learn about the perceptions of employees, to determine how such perceptions

Six Terrific Techniques To Obtain Reliable Information

The six techniques that follow encourage candor and provide free flow of significant and accurate information from employees:

1. Get them away from the company environment. When people are relaxed, they are more likely to share ideas and true feelings.

2. Organize focus groups. Focus groups have been used for years in marketing and sales, and are now being used internally. By bringing together a representative sample of workers and exploring their feelings about an issue or problem, a company can learn quite a bit about their attitudes and desires.

3. Conduct confidential employee surveys. A professionally designed and administered employee survey can reveal much about what's wrong and what's right about your organization.

4. Conduct individual employee interviews. Consultants sometimes prefer to conduct individual interviews using the same question format for every interviewee. An experienced interviewer can get basic information and probe deeper as answers open up areas for exploration.

5. Conduct 360-degree assessments of key managers. Multi-level assessments have become popular tools used to identify how bosses, peers, subordinates and outsiders view management. These are 360-degree assessments.

6. Schedule a multi-level retreat. Invite all levels of the organization to a retreat in a relaxed atmosphere and give participants an opportunity to express ideas and ask questions.

affect performance, to analyze subtle details, and to observe reactions, attitudes and viewpoints normally not visible. This process is the Organizational MRI, or O-MRI, which will become an instrument to uncover the culture-related problems and challenges in your business. The O-MRI looks for the reason a problem exists. Its goal is to peel layer after layer away until the underlying reasons are uncovered. An analyst using the technique will continue to ask, "Why" when confronted with the existence of a problem until the questioning reveals the real reason.

Whoever conducts your company's O-MRI (usually a consultant) must earn the trust of workers. Consultants are outsiders, but employees often perceive them as the voice, eyes and mouth of management.

To earn trust, it helps to develop rapport with partici-

(continued on page 4)

Diagnosing Your Corporate Culture

(continued from page 3)

pants. The consultant may start with a couple of short workshops to break the ice. He or she may try to identify informal leaders and cultivate them. They represent the best chance to establish credibility with the rest of the employees.

The Process

The O-MRI is based on an in-depth confident employee survey, usually prepared by a professional survey organization. Once the results are tabulated, the consultants prepare a report that outlines the major problem areas identified. The survey results and the report are presented and discussed by various groups, including peer focus groups (who further develop and give examples of the problems identified in the survey) and key informal leaders. Solutions are explored by people from the company brought together in multi-level retreats. Finally, the consultant will prepare a report outlining what the O-MRI diagnosed and what the treatment plan should be. ■

How One Company Conducted an O-MRI

When the Excelsior Paper Box Company initiated their O-MRI, CEO Douglas Stewart sent a letter to each employee describing briefly why the program was being conducted and why everyone should participate. The consultant was introduced in brief departmental meetings. Everyone was assured the process would be confidential.

Before the survey was distributed, articles in the company newsletter and bulletins described the purpose and methods to be used. A letter from a senior executive accompanied the actual surveys. The return rate was 67% by the deadline, and more trickled in for the next few weeks. Responses were tabulated, and a report prepared by the consultants which included a summary of the key points and recommendations for implementation of any changes suggested by the data. The survey revealed four major problem areas. These were:

- A pervasive sense of insecurity, distrust, fear and resentment
- The existence of poor internal communication
- The existence of inequities in compensation and
- A complaint that there was too much internal politics in the organization

The company then created peer-based focus groups to minimize “us vs. them” inhibitions since the survey revealed a clear sense of distrust. Their comments on the survey conclusions were tabulated and categorized. The consultant then identified seven informal leaders and

The Four Worst Techniques To Obtain Reliable Information

- 1. The Town Meeting.** Company town meetings generally don't amount to more than gripe sessions at which the most vocal dominate.
- 2. Meetings lead by managers.** When the boss conducts the meeting, employees are intimidated.
- 3. Poorly designed problem-solving teams.** Team activity must be carefully planned and participants trained in problem-solving. Just throwing people together who have never worked with each other won't work. Each tends to be primarily concerned about his or her department or career.
- 4. Employees interviewed by company managers.** Unless workers view the interviewer as fair and impartial, they won't provide useful information.

interviewed them away from the premises. The interviews provided specific examples of the sort of problems the survey and focus groups had revealed. The consultants discovered that there was a great deal of distrust of upper management at both the rank-and-file level and the lower levels of management.

Next came a 360-degree assessment of all middle and senior management people, since the analysis had revealed that there was significant mistrust of these managers. A comprehensive questionnaire was designed to be completed by the four levels of people that each manager typically interacted with. These included the superior that the manager reported to and at least one higher ranking manager, the manager's peer group, the manager's subordinates, and in some cases vendors and customers the manager regularly interacted with.

Finally, multi-level retreats were held to discuss changes needed to the corporate culture. A report was then prepared by the consultant. In this case, it revealed that the major problem was the authoritarian style of management and the lack of effective communication throughout the company. The final report included recommendations for change and strategies for instituting them. ■

How to Find Great People

It's not easy to find good people, and it's not cheap. Yet there's no better way to keep employees than to pick the ones who will thrive in your organization. That's why recruiting and retention are crucial processes. Hire right, and you hire for the long term.

Before you hire a new employee, make sure you determine the characteristics the perfect A-player would

(continued on page 5)

How to Find Great People

(continued from page 4)

have. First, analyze the job to create a job description that describes what the job really is, and a job specification that describes what characteristics the person holding the job needs to successfully perform the job.

The job specification should include the following:

- **Education and skills:** Does the job require college or other advanced education or schooling in a special skill?
- **Work experience:** How much experience is necessary?
- **Physical stamina:** Does the job require heavy lifting or hard physical labor?
- **Intelligence:** Does the job require the ability to solve complex problems or deep thinking?
- **Communication skill and personality:** Does the job require superior communications skills, the ability to deal with high levels of stress, or an outgoing personality?

Screening Candidates

One of the most challenging parts of the selection process is screening candidates. When screening résumés, here are a few things to be on the lookout for:

- **Education fraud.** Be sure claimed degrees were really earned.
- **Progress.** Good candidates generally have a history of progressively greater responsibility and pay.
- **Stability.** Candidates who frequently switch jobs may not stay long with your company either. But be sure that there isn't a good reason for the long list of jobs, such as a business downturn.

The Interview Process

In the interview, use open-ended questions as much as you can. These lend themselves to more than yes or no answers and yield more valuable information. For example, ask a candidate how he or she spends an average day at work rather than what the job duties are. Also ask candidates about their weaknesses. For example, you could ask a candidate to describe a negative aspect of his last evaluation. Ask about future education and career plans also.

Another important part of the interview is selling your organization. Present your company and the job in a positive and enthusiastic manner, but don't exaggerate or mislead. That will only add to turnover. Answer questions honestly, but be cautious about candidates who only ask about benefits and perks, and not much about the job itself. Their priority may be in what they can get out of the job rather than what they can bring to the company.

Ten Common Interview Mistakes

1. **The interview was haphazard.** Interviewers who don't have a clear plan and jump everywhere don't create a good impression and may miss key questions.
2. **The interview was for the wrong job.** If you are hiring for more than one position, be sure your questions are geared for the right one.
3. **The applicant dominated the job.** A good interviewer maintains control and doesn't let the candidate take over.
4. **You played God.** Don't act condescending. You don't want to turn off a good candidate.
5. **You telegraphed the "right" answers.** Don't suggest answers to questions.
6. **You talked too much.** Let the applicant speak; an interview is a two-way conversation.
7. **You played district attorney.** Don't cross-examine the candidate.
8. **Don't play psychologist.** Just because you had Psych 101 doesn't qualify you to analyze the candidate. Stick to things relevant to the job.
9. **Don't fall in love.** Don't let one aspect of the candidate's experience create a halo effect.
10. **You didn't probe for details.** Don't accept every answer at face value.

Making the Decision

The interviews are over and it's time to make a decision. Be aware of pitfalls in judging people. For example, do you only hire people who went to your college or who look a certain way? We all tend to subconsciously favor people whose backgrounds are like our own. But a work force of people who are all alike isn't a healthy one. Such groups tend to be resistant to new ideas.

Usually, you have several good candidates from whom to pick. Comparing them must be done systematically. Watch out for the tendency to favor the most recent candidate, or being carried away with a candidate's expertise in one area of the job. Don't let a candidate's interest in the job be the sole deciding factor either. You are far better off comparing the top candidates side by side using a final selection spreadsheet.

Making the Offer

Once the selection has been made, it's time to make the offer. A good candidate might object to the terms of the offer. You must be ready to face the objections and overcome them. Sometimes that may mean you offer more money or additional benefits, but it may also mean

(continued on page 6)

How to Find Great People

(continued from page 5)

you move on to another candidate.

In addition, when you make your offer, tell the candidate that her employer will probably make a counter-offer. Ask her to consider, however, why the current employer hadn't offered her the terms of the counteroffer before, or point out that she will probably be treated as if she were disloyal for looking elsewhere. By countering the counter-offer before it comes, you will significantly reduce the number of applicants who accept them. ■

Balance Compensation and Intangible Benefits

But companies do have to offer a compensation plan that at least matches what companies competing for the same type of employees pay. But determining what those equivalents are is becoming more difficult as new kinds of compensation plans are showing up.

The trend is away from seniority or rank as the determinant of pay, and toward performance as the basis. With inflation under control, large cost of living adjustments are a thing of the past. Pay for performance plans are replacing regular increments, and those whose performance is average or marginal may receive no regular increases. Lump-sum merit bonuses are also on the increase. These on-time payments don't increase base pay. Other compensation schemes include offering profit-sharing and stock options.

In a tight labor market, there is a temptation to offer good candidates more than ever before. Do this after careful consideration of the impact higher salaries will have on those not already working for your company. The effect may be that current workers who are making less look for better offers and leave, causing the company's labor shortage to continue. Those who don't leave may fester with resentment.

The Power of Intangible Benefits

Money is important, but it isn't the only thing motivating workers. Money rarely leads the list when it comes to what people want from a job. If salary and benefits are fair, most people value intangible benefits more.

For example, in a 2000 survey by Bottom Line Business, employees ranked salary and benefits 11 out of 18 on a list of factors for staying in their current jobs. The top ten reasons were:

- Career growth and learning
- Exciting and challenging work
- Meaningful work and the opportunity to make a

Some Common Perks Today

Perks are additional extras that some employers provide to keep and motivate workers. They could give workers the cash equivalent, but that doesn't have the psychological impact that the following extras do:

- ✓ Company cars
- ✓ Memberships in professional organizations
- ✓ Subscriptions to journals
- ✓ Memberships in social clubs
- ✓ Reduced price lunch at work
- ✓ Coffee
- ✓ Child care on site
- ✓ Transportation
- ✓ Tuition reimbursement and scholarships
- ✓ Flextime

difference

- Great co-workers
- Being part of a team
- A good boss
- Being recognized for a job well done
- Having fun on the job
- Autonomy and a sense of control over their own work and
- Flexibility in work hours and dress code

The bottom line is that a fair and adequate salary is a satisfier on the job, and not necessarily a motivator. For many, more money doesn't motivate; they are satisfied at a certain level. For them, you have to find other motivators to spur increased efforts. ■

For more unusual perks offered by employers, go to:
<http://my.summary.com>

The Best Candidates May Be Found Inside Your Company

One way to attract and retain "A" players is to have an active program of internal transfers and promotions. Filing vacancies from within has many advantages. For example, an internal hire knows the company culture, rules and idiosyncrasies. And you know far more about current employees than you will ever know about an outside hire. Plus, offering opportunities internally boosts morale and serves as a performance incentive.

Given the advantages of internal promotions and transfer, are there times you will have to go outside? Of

(continued on page 7)

The Best Candidates May Be Found Inside Your Company

(continued from page 6)

course. For example, a job may require skills not found in your company. You may miss out on gaining a fresh view from the outside, and you may be tempted to promote someone less than well qualified just because he or she is a known quantity. Therefore, you should mix internal and external hiring.

Finding Internal Candidates

Finding internal candidates isn't always easy. You can start by looking at personnel files and identifying people who hold positions below their education or skill levels. For example, has an employee taken advantage of your tuition reimbursement policy and earned a degree? If so, consider her for an opening requiring that degree.

Periodically survey workers to find out what new skills they have acquired. Create an internal job bank that lists all special skills and talents held by current workers. Post all jobs internally.

You can also establish an internal "career path" program. Identify high-potential workers and then offer them an opportunity to participate in the company's career path program. Candidates become part of a formal program of encouragement and training and get advice on what kind of further education to pursue. ■

Getting New Employees Off on the Right Foot

At last, your new employee reports to work. What happens next may determine whether that person becomes a loyal, dedicated and enthusiastic staff member or a half-hearted worker.

Let's look at it from the new worker's viewpoint. He or she is looking for a reality check. Will the new job live up to expectations? Recent studies have shown that 55 percent of new hires fail or voluntarily leave their jobs within two years due to a failure to properly introduce and assimilate them into the new culture. In fact, the first ten days are often critical to success or failure.

Orientation is a start, but not enough. The typical orientation session involves a tour of the facilities, a video presentation, a history of the company, and the introduction of rules and regulations. What's needed is a new approach called "onboarding."

Onboarding

Onboarding is a comprehensive plan to shepherd the new employees through the first several months. Onboarding plans should include:

Seven Successful Onboarding Practices

1. Assign a coach or mentor to the new person right from the start.
2. Arrange for some early success.
3. Identify and concentrate on a handful of key strategic objectives.
4. Develop a job description with performance standards.
5. Allow new employees ample time to learn, study and plan before assuming major responsibilities.
6. Overcome resentment of bypassed employees.
7. Provide unwavering support.

- A clear sense of purpose describing why orienting the new employee is important for the company and the worker;
- An assessment of the environment, including honest statements about any negative aspects of the job;
- Identification of the "critical few objectives," or CFOs, that the new worker must master quickly if he or she is to succeed. This may include identifying both short-term and long-term goals and timetables for achieving them;
- Identification and assignment of a mentor who will help the new hire assimilate.

Training Well

Training has become an essential part of management. Companies offer orientation, leadership development and sexual harassment training, to name a few. Properly developed training programs can have a dramatic effect on business and represent a great return on investment and is a major factor in retention of "A" players.

A good training program has four steps. These are:

1. The attitude conditioning of the learners.

Learners must be receptive to training. Their minds must be open and they must have a clear picture of what they will learn, understand how they will benefit, and get excited about participation.

2. Presentation and demonstration of content. Real learning begins when the participants are drawn into the process to debate, discuss and even disagree.

3. Practice. Learners may practice new skills between sessions and report back on their experience.

4. Follow-up and reinforcement. Learners should be brought back regularly to reinforce what was learned. ■

Why Good People Leave

There are few things more draining for an organization than the steady, systematic loss of highly effective and productive people. There's nothing new about people trying to improve their lot. Many outstanding people use periodic job changes as a key part of their career management strategy. However, when evidence of dissatisfaction among top workers seems to be a recurring theme, something has to be done.

A Variety of Reasons

People leave jobs for a reason. These include:

- loss of faith in management;
- feeling unappreciated, bored or unchallenged;
- frustration with excessive politics;
- more money;
- feeling used or exploited;
- concern about the future of the firm;
- the departure of a close friend;
- a more flexible benefits package.

Some leave because they can't live with what they consider unsatisfactory company practices such as unreasonable working hours, unpleasant working environment or the lack of state of the art equipment.

Addressing Work-Life Issues

Today, some workers leave for reasons best referred to as work-life issues. If this is the case with your company, you may want to consider implementing some programs.

For example, through the use of technology, workers can be spared much unnecessary travel. Others may benefit from being allowed to telecommute, so long as you provide adequate guidance, keep workers in the loop, and otherwise monitor performance. Other options include job-sharing.

Yet another option is to allow an "A" player who wants to spread his wings to continue on as a freelancer or contractor.

How to Keep Employees Loyal

Today, employee loyalty is at an all-time low. The downsizing that pervaded the economy in the 1980s and 1990s has increased the decline in loyalty, and mergers and acquisitions have diluted the identification employees felt with their companies. It should come as no surprise, then, that nothing is more valuable to an organization than capable employees with a strong sense of loyalty to the firm.

There are nine keys to loyalty:

- 1. The behavior and reputation of management is a key factor as to whether workers stay or go.**
- 2. A clear, well-conceived mission and vision keeps**

employees focused and connected.

3. Recognizing and rewarding exceptional performance encourages the same.

4. The reputation of the firm attracts many to a particular firm and bonds them.

5. A focus on building pride encourages longevity.

6. A sense of long-term viability provides stability and encourages loyalty.

7. Opportunity for growth and training encourages commitment.

8. Opportunity for promotion helps keep career-minded employees around.

9. A commitment to driving out fear and minimizing politics will ensure workers don't leave out of a sense of self-preservation.

Leadership Is Key to Retention

Leadership is a key factor in retention. Don't assume that you know everything there is to know about leadership. You don't. And sticking to the old way of leading may be encouraging workers to leave. You can't count on controlling through power anymore. Today, a leader leads by persuasion and motivation.

Because a worker's immediate supervisor is vital to satisfaction with his or her job, leaders must learn how to lead today's work force. Great leaders have enthusiastic followers and focus on getting things done. They rely on a fixed, unwavering set of convictions as their guiding light, and act on those convictions. Since they demonstrate trust, conviction and loyalty, they also inspire it.

Discover Why a Worker Leaves

When a worker leaves, you need to find out why. The stated reason typically isn't the real reason. What you need to find out is what sparked the job search in the first place. Was it dissatisfaction with a supervisor? Lack of advancement opportunity? Disenchantment with working conditions?

You will want to ask departing workers questions like what they liked most and least about their jobs, how satisfactory the compensation system is, and whether the exiting worker made the kind of progress he or she would have liked to make while working for the company. Consider a follow-up inquiry six months down the line. ■

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