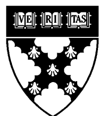
A Market-Driven Approach to Retaining Talent

by Peter Cappelli



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ARTWORK BY MARC MONGEAU

Traditional strategies for employee retention are unsuited to a world where talent runs free. It's time for some fresh thinking.

A Market-Driven Approach to Retaining Talent

by Peter Cappelli

If you're like most executives today, you're a poacher. You regularly look outside your organization to find talented individuals to fill key posts. And when you spot attractive candidates, you do what it takes to lure them away from their current employers. You offer big signing bonuses, you buy out stock options, and you provide rich compensation packages of your own. All the while, you know that other companies are busily rifling through your own organization, hoping to poach your best talent.

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The open competition for other companies' people, once a rarity in business, is now an accepted fact. Executives know that fast-moving markets require fast-moving organizations that are continually refreshed with new talent, and they've become adept at outside hiring. (See the sidebar "Strategic Poaching.") But if they're comfortable bringing talent in, they remain distinctly uncomfortable about seeing talent leave. To poach is fine; to be poached is not. One reason for the discomfort is emotional. Executives tend to judge themselves on their ability to instill loyalty in their people, and the departure of a talented employee can feel like a personal affront. Another reason is rational. In a time of tight labor markets, talent can be very hard–and very expensive–to replace. When a good employee walks, the business takes a hit.

In trying to stop people from jumping ship, many companies have fallen back on traditional retention programs. I recently attended a talk by a senior manager from DuPont who was telling of a corporate initiative to "re-engage" with employees. By designing and promoting new, long-term career paths and investing heavily in employee development, the company hoped to win back the loyalty of its workforce. When a member of the audience asked him if he really thought the company could stop the outflow of talent, the speaker replied, in a moment of unexpected candor, that he did not–the competition was simply too intense. But, he went on, the company's executives saw no alternative. They had to make the effort.

The speaker was right about one thing. It is futile to hope that by tinkering with compensation programs, career paths, training efforts, and the like, a company can insulate itself from today's freewheeling labor market. That doesn't mean, however, that companies should just go through the motions. There is an alternative: a market-driven retention strategy that begins with the assumption that long-term, across-the-board employee loyalty is neither possible nor desirable. The focus shifts from broad retention programs to highly targeted efforts aimed at particular employees or groups of employees. Moving to a market-driven strategy is not easy. It requires executives to take a hard-headed, analytical approach to what has long been viewed as a "soft" side of business–the management of people. But it is necessary. The clock can't be turned back.

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Strategic Poaching

The signs of an explosion in outside hiring are everywhere. The executive-search arm of A.T. Kearney reported that the number of searches undertaken by its clients in 1997 was 15% higher than in 1996, which was itself a record year, and that CEO searches were up 28%. When one St. Louis headhunter, John R. Sibbald, tracked the careers of 150 up-and-coming executives, he found that within two years, 80% had changed employers. Job fairs, once mainly nonprofit, informal events, have turned into highly profitable extravaganzas run by specialized companies that charge up to $5,000 per recruiting company. And electronic job markets, unknown a couple of years ago, are overflowing with recruiters and résumés.

One reason poaching has spread so rapidly is that companies have learned to use outside hiring strategically as well as tactically. They bring in experienced people not just to fill open positions but also to get the expertise they need to quickly expand into new markets or even to launch new businesses. As the consumer electronics and computer industries have moved into each other's markets, for example, they have begun to recruit each other's

Rethinking Retention

To adopt the new strategy, you first have to accept the new reality: the market, not your company, will ultimately determine the movement of your employees. Yes, you can make your organization as pleasant and rewarding a place to work in as possible–you can fix problems that may push people toward the exits. But you can't counter the pull of the market; you can't shield your people from attractive opportunities and aggressive recruiters. The old goal of HR management–to minimize overall employee turnover–needs to be replaced by a new goal: to influence who leaves and when. If managing employee retention in the past was akin to tending a dam that keeps a reservoir in place, today it is more like managing a river. The object is not to prevent water from flowing out but to control its direction and its speed.

Prudential is one company that has begun to adopt this market-driven perspective. Its "Building Management Capability" program, which inte-

employees as a way to tap into each other's expertise. The U.S. unit of Mitsubishi's consumer electronics group recently hired 20 engineers from computer companies for its research staff in one swoop. "What you have is the NFL draft of electronics executives," says Bob Lee, head of Manpower Staffing Services in San Jose, California.

The strategic use of outside hiring is not limited to the volatile high-tech industry. Today when an oil company wants to expand the sales of products at its service stations, it hires managers from Pepsi and Frito-Lay with expertise in retailing. When an airline wants to get better at managing customer relationships, it recruits executives from Marriott with experience in customer service. When a power company prepares for deregulation, it hires people from a phone company that has already gone through the transition. Businesses have found that it's quicker to steal new competencies than to develop them from scratch.

Poaching can also provide a relatively easy way for companies to move into new regions. In 1995, Ernst & Young built up its presence in Spain by recruiting nearly the entire Madrid office of its competitor Coopers & Lybrand – 90 people in all. When Allegheny Health Systems moved into the Philadelphia market in the mid-1990s, it raided the cardiology and cardiac surgery departments of Presbyterian Medical Center to develop an instant presence in those specialties. Presbyterian then turned around and hired all but one of the cardiologists from Cooper Health Systems in nearby Camden, New Jersey.

Hiring outside executives is now even seen as an effective, and frequently less risky, alternative to acquiring entire companies. A few years ago, AT&T wanted to enter the computer-systems-integration business, but it worried about whether it could incorporate an entire company into its culture. Instead, it asked recruiters to find the top 50 system integrators in the country. AT&T hired them and started its own systems-integration operations.

It would be a mistake to look at all this activity and think it's a passing phenomenon – a symptom of the booming economy and the tight labor market. The underlying changes in business are fundamental, not transient, and the use of outside hiring as a strategic tool will only grow in the future. While the overall demand for labor will rise and fall, the war for talent will rage on.

grates recruiting, retention, and training efforts, is geared toward an increasingly mobile workforce. "Gone is the notion that employees are going to stay with one company for life," says Kurt Metzger, a human resources executive at the company. The Prudential program is anchored by a sophisticated planning model that projects talent requirements and attrition rates. The model enables business-unit managers to develop highly targeted retention programs and create cost-effective contingency plans for filling potential gaps in skills. The model also provides a mechanism for constantly measuring the impact of human resources decisions, a capability crucial to managing people in this rapidly shifting labor market.

Prudential has begun doing what most companies avoid: making a truly honest assessment of how long the organization would like employees to stay on board. Such an analysis inevitably reveals that different groups of employees warrant very different retention efforts. There will always be some people a company will want to keep indefinitely – an engineering genius, an inspiring business head, a creative product designer, or a frontline worker deeply respected by customers. Another set of people will be important to retain for shorter, well-defined periods – employees with specific skills that are currently in short supply, for instance, or members of a team creating a new product or installing a new information system. And finally there will be people for whom investments in retention don't make sense – employees in easy-to-fill jobs that require little training or employees whose skills aren't in demand in the market.

Once you know which employees you need to retain and for how long, you can use a number of mechanisms to encourage them to stay. The key is to resist the temptation to use the mechanisms across the board. Tailor your programs to your retention requirements for various employees and to the level of demand for them in the marketplace. Let's look at some of the mechanisms and their strengths and shortcomings.

Compensation. The most popular retention mechanism today is compensation. Most companies try to lock in their most valuable employees with "golden handcuffs" – pay packages weighted heavily toward unvested options or other forms of deferred compensation. The problem with pay-based incentives is that they're easy for outsiders to match. Recruiters routinely buy out golden handcuffs with signing bonuses – "golden hellos." Re-

tention incentives end up becoming just another element of compensation, contributing more to wage inflation than to long-term retention. (See the sidebar "The Futility of Golden Handcuffs.")

But compensation can help shape who leaves and when. Some companies now pay special "hot skills" premiums to employees whose expertise is crucial and in short supply. The payments are an effective way to keep talent in place for critical periods, such as through the late stages of the design of an important product. The premiums cease the minute the skills become more readily available on the market or the employer decides that the skills are no longer as important to its business. Andersen Consulting, for example, recently eliminated its hot-skills premium for SAP programmers.

Paying signing bonuses in stages, rather than as lump sums, can also help to keep new employees in place, at least in the short run. Deferred signing bonuses are becoming the norm for executive-level hires. When Associated Communications (now Teligent) gave Alex Mandl, AT&T's heir apparent, a $20 million signing bonus to become its new CEO, it paid out the money over five years. Such bonuses are proving useful in retaining lower-level employees as well. Burger King, for example, offers workers a signing bonus but withholds payment until they've been on the job for three months. Three months may not seem like a long time, but in the fast-food business, where annual turnover averages 300%, it's an eternity.

A deferred bonus doesn't guarantee that a new employee will stay for the deferment period, of course. Such incentives are, after all, just a form of golden handcuffs. Another company can always come along with a big golden hello.

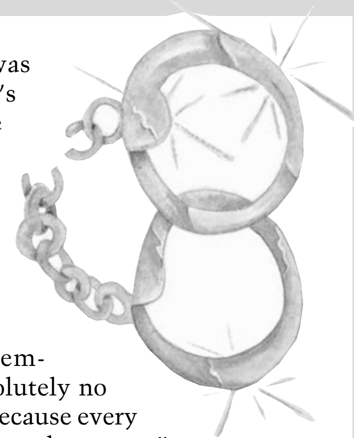
Job Design. To retain people with critical skills for longer periods, companies need better mechanisms than compensation. One is job design. By thinking carefully about which tasks to include in which jobs, companies can exert considerable influence over retention rates.

The Futility of Golden Handcuffs

Today virtually every company offers its key people some form of deferred compensation in hopes of buying their loyalty. When such golden-handcuffs programs were new, they effectively kept corporate recruiters at bay. Just as burglar alarms redistribute burglary to unprotected homes, golden handcuffs redistributed poaching to unprotected businesses. Some companies, like Emerson Electric, became famous for the elegance and elaborateness of their handcuffs.

But now that almost all companies offer their key people some form of deferred compensation, golden handcuffs are no longer a deterrent. With no unprotected companies left to pilfer from, recruiters have been forced to unlock the handcuffs by offering huge signing bonuses. In 1996, Alex Mandl, who appeared to be next in line for the CEO job at AT&T, was lured away to Associated Communications, a small operation that offered him a signing bonus of more than $20 million, much of which simply offset the $10 million in AT&T stock options he forfeited on leaving. No matter how generous the deferred compensation package you offer to one of your stars, there will always be another, more desperate company willing to pay even more.

In addition to being ineffective, golden-handcuffs programs sometimes backfire. When Lou Gerstner arrived at IBM in 1993, he discovered that despite all the unvested stock options the company offered, his key employees were being picked off by competitors right and left. The reason was the decline in IBM's stock price over the preceding years. The options had been rendered worthless, to the disgruntlement of employees. As Gerstner put it in a *Fortune* interview, "What I've got is an employee group with absolutely no incentive to stay here because every one of their options is under water."



Researchers have identified other perverse effects of golden handcuffs. A study of the semiconductor industry found that when large profit-sharing bonuses were distributed or when a company's stock price was booming, engineers often cashed in their profits and left to start their own businesses. That finding dovetails with a conclusion reached by labor economists: when employees get big windfalls, they tend to work less, essentially buying more leisure by retiring early or shifting to easier jobs with shorter hours.

At best ineffective, at worst counterproductive, deferred-compensation programs are nonetheless a necessity in business today. Since all companies offer them, your company will have to as well. The market demands it, and the market rules.

Consider what United Parcel Service did to improve its retention of drivers. UPS recognized that drivers have some of the most important skills in the delivery business. They know the idiosyncrasies of the routes and they have direct relationships with customers. Finding, screening, and training a replacement driver is time consuming; it may take a new hire months to learn the details of a particular route. When UPS studied the reasons its drivers left, it discovered that much of the turnover could be traced to the tedious and exhausting task of loading packages at the beginning of a run. It therefore unbundled the loading task from the drivers' job and assigned it to a new group of workers. The turnover rate for drivers fell dramatically.

Of course, turnover in the new loading jobs averages an eye-popping 400% per year. But that doesn't matter. With high hourly wages and low skill requirements, the loading jobs are fairly easy for UPS to fill, typically with students or other part-timers, and fairly simple for new employees to learn. A high turnover rate in the loading jobs is expected and manageable. In using job design to improve retention, UPS didn't attempt to decrease overall turnover; instead, it targeted the specific skills it wanted to retain. For employees without those skills, it allowed the revolving door to spin freely.

Jobs can also be defined in such a way as to influence when people will leave. Wall Street investment firms were once plagued by erratic, unplanned turnover among junior analysts. The companies addressed the problem by requiring the analysts to leave after three years. Forcing people to quit may seem like an odd way to solve a turnover problem, but it makes a lot of sense. The real issue, after all, was not that the junior analysts were leaving – it was expected that many would go on to business school – but that the firms could not predict who would leave or when. As a result, project teams were often left understaffed, leading to delays and quality problems. Now that they know junior analysts will depart at the end of their third year, the firms can design projects to coincide with analysts' tenures. Having clear termination dates also creates large, well-defined employee cohorts, making training and development easier. The emergence of the three-year stint as an industry standard helps ensure that employees stay for the full period because a junior-analyst job lasting less than three years looks bad on a résumé.

Job Customization. In addition to tailoring jobs to particular categories of employees, companies can also tailor them to the needs of individuals. Prudential is experimenting with such a program. It provides workers with a variety of tools to help them assess their own interests, values, and skills, and it encourages managers to tailor rewards, benefits, and assignments to individual requirements. A part-time arrangement might satisfy one employee's desire to pursue outside interests or meet a parenting need, while tuition reimbursement might be the key to keeping another employee happy.

Prudential's program draws on an array of employment options, most of which are available to all workers. It's easy to imagine, however, programs that would go even further in customizing jobs. Key employees might undertake a formal self-assessment of their work and nonwork goals and of how those goals could best be achieved in the context of the company's operations. The assessments would form the basis for individual employment agreements, which might be created using cafeteria-style programs similar to those used in allocating employee benefits. Each employee would be able to allocate a set amount of money to "purchase" options in such areas as career development and balancing work and personal life. The amount available to allocate would depend on the importance of the employee to the company.

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Individualized deals always raise fairness concerns, of course. Basing rewards on skills, rather than just on performance, is something new, and it's sure to rub some people the wrong way. But there are plenty of precedents. Salaries have long been based on the labor market – those in hot fields get paid more. Relative compensation routinely hinges on criteria outside an employee's control, such as the performance of a division or the state of the stock market. And most companies have always had a fast-track career path for employees deemed more valuable than their peers on measures other than current job performance. Giving greater benefits to those with critical skills that are difficult to replace seems in tune with these established practices.

The bigger issue may lie with the form of the rewards rather than in how they are distributed. Few companies allow employees to design their own jobs, and those that do usually offer such programs across the board rather than selectively. That's the case, for example, with most flextime arrange-

ments. Companies will need to consider carefully the effects on morale as well as the legal implications of selective programs, but they should not reject them simply because they're unusual and raise tough questions. The market is very creative in providing individualized rewards. Companies should be equally creative.

Social Ties. Loyalty to companies may be disappearing, but loyalty to colleagues is not. By encouraging the development of social ties among key employees, companies can often significantly reduce turnover among workers whose skills are in high demand. Carl Glaeser, general manager of Ingage Solutions, a Phoenix-based division of AG Communication Systems, has held the turnover of software engineers to 7%, mainly by developing programs that create a social community in the workplace. Golf leagues, investment clubs, and softball squads create social ties and bind workers to their current jobs. Leaving the company means leaving your social network of company-sponsored activities.

Arrangements that help create community within an organization have one big potential drawback: they make the trauma of any eventual restructuring all the more intense. Creating strong social ties is therefore inappropriate for employees who are likely to become less vital to a company in the near future. But you can achieve a similar bonding effect, minus the long-term complications, with teams. By creating closely knit teams to carry out particular projects, companies can increase the likelihood that the teams will remain intact for the length of the initiatives. People who would hardly think twice about abandoning a company find it very difficult to walk out on their teammates. Teams also have an added benefit: studies have shown that they increase employees' commitment to their work. (See the sidebar "Commitment Without Loyalty.")

Location. Large businesses have another good mechanism for managing retention: location. By carefully choosing the sites for various groups of employees, they can influence turnover rates. A high-tech company, for example, might find it useful to have a research and development operation in Silicon Valley in order to tap into cutting-edge thinking. The inevitable high turnover rate will be an advantage: the company will be exposed to a broad array of ideas. But an R&D project with a long lead time could be doomed by such high turnover. The company would be wise to set up a long-term R&D operation in a place where the skills of the development team are not in high demand, such as a rural community. People will still leave from time

Commitment Without Loyalty

Executives have long seen loyalty and commitment as two sides of the same coin, believing that employees who lack loyalty to a company must also lack commitment to their work. From that perspective, the erosion of employee loyalty looks very scary. Research, after all, has shown a strong correlation between commitment and performance. If your employees lack commitment, you're in big trouble.

But there are many ways to engender commitment to the work without requiring loyalty to the company. Organizing work around projects is one such method. Studies have shown that when employees have control over a piece of work, they have greater commitment to seeing it done well. If it goes well, they get the credit, which increases their prestige (and helps build their résumés); if it fails, their reputations take a hit.

Creating teams is another way to build commitment. After all, commitment is far easier to establish among individuals than between an individual and an abstract entity such as a corporation. Team members work hard because they do not want to let the rest of the team down. The more accountable a team is for its performance, the greater the peer pressure on members to make sacrifices for the team. Team-based compensation, in particular, helps create the sense that the fate of the community relies on the performance of its members. Even in industries long characterized by hostile relations between employees and employers, such as the U.S. auto industry, the redesign of production work around teams has contributed to sharp improvements in quality and overall performance, at least in part by engendering greater worker commitment.

The confusion of loyalty and commitment underlies another widely held but false belief: that commitment can exist only in a long-term relationship. We know this is not true from our experiences in other arenas. Many people are extraordinarily committed to their alma maters, for example, donating time and money to them years after graduation. Many people have similar relationships with former employers, particularly those where they held their first jobs. McKinsey & Company, for example, is famous for the level of commitment it enjoys from its former consultants – even those who were pushed out of the firm.

to time, but overall turnover will be much lower. At a Harris Semiconductor (now Intersil) facility in rural Pennsylvania, turnover recently averaged just 2% a year, far below the 20% average for the semiconductor industry.

Of course, trying to get people to relocate to remote regions poses its own challenges. But here again it makes sense to think about the individual circumstances and needs of your people. Employees who have young families, for instance, may be very interested in moving to a smaller, more rural community. Once they're there, it will be hard for them to pull up stakes and leave.

Hiring. When companies go out recruiting, they often focus on attracting precisely those people who will be the most difficult to retain. By shifting their sights to workers who can do the job but are not in high demand, organizations may be able to shelter themselves from market forces. Microboard Processing, a Connecticut-based assembler of electronic components, hires one-third of its assemblers from high-risk applicants, including welfare recipients, former drug addicts, and people with criminal records. The company often starts the new recruits on simple landscaping jobs to see how they do before moving them inside to the assembly operation. It also gives them lots of slack during the first few months on the job while they are growing used to the discipline of factory work. In return, the company says it is getting a hardworking pool of employees who are grateful and loyal to Microboard for giving them a chance.

Architectural Support Services, a computer-aided-design company providing technical support for architects, also uses hiring to bolster retention. In its early days, the company followed textbook HR practices, hiring the best and brightest professionals available. Yet it found its operations in shambles because of poor morale and high turnover – all caused by infighting among the high-powered staff. The company thought hard about its workforce and realized that it did not need to fill all its positions with gifted workers. It started recruiting from community colleges instead of elite four-year institutions. The company has been rewarded with a much more loyal and committed workforce – and its results have not suffered in the least.

When companies recruit, they often focus on attracting precisely those people who will be the most difficult to retain.

Indeed, short-term relationships often create a higher level of commitment than long-term relationships. One of the midterm exams given every year at Wharton asks members of the first-year class to explain how they were managed in their previous jobs. Almost without exception, the students coming from "terminal" jobs – those with fixed departure dates, such as junior analyst positions at investment banks – are the most positive about their former employers. The advantage of such temporary relationships is that the people in them have a clearer idea of what's expected of them and what they'll gain. They understand going in that they will have to work hard and that after a certain period they will have to leave. Not only are such employees committed to the companies during their tenure, but their positive feelings after they leave pay additional benefits to the companies – influencing word-of-mouth reputation, facilitating future business deals (why not deal with companies you know and like?), and creating a pool of potential future recruits.

Adapting to Attrition

Sometimes there will be no effective way to ensure the retention of a particular employee or group of employees. The market forces will be too strong. Look at the trouble companies have holding on to their information technologists. The extremely tight labor market gives talented techies a wealth of opportunities, and the field's rapidly changing skill requirements give them an incentive to seek new projects that will advance their expertise. Companies with a strong need to retain particular IT skills – for maintaining legacy systems, say – are in a bind. Their best course is often to avoid the retention issue altogether by outsourcing the required skills. J.P. Morgan is among the many companies that have taken the outsourcing route. It collaborated with several IT companies to establish Pinnacle Alliance, which now manages Morgan's global IT operations. Morgan found that the best way to deal with an intractable skill shortage is to let somebody else deal with it.

In other cases, companies have found that high turnover isn't as big a problem as it appears. Just because a business is dependent on engineering skills, for example, doesn't mean that it has to go to great

lengths to retain its engineers. If there's a large pool of engineers available, it might want to focus on recruitment rather than retention. That's exactly what a number of electronics companies in Ireland have been doing. Irish universities are producing a steady supply of talented engineers trained in the latest technologies. The electronics companies recruit aggressively at these schools, but they make relatively little effort to retain their current engineers. That way, they continually infuse their organizations with the most up-to-date skills. Moreover, since new hires have lower salaries than longer-term employees, the companies are able to keep a lid on compensation levels.

There are also ways to adapt organizations and operations to high turnover. Simplifying and standardizing jobs and cross-training workers in multiple jobs make companies less dependent on any one individual. Many semiconductor companies, for example, have responded to high turnover rates among machine operators by certifying operators on more machines and rotating them to new positions every three months or so. Moving from legacy systems, even if they suit the organization's needs, to more common, off-the-shelf systems helps ensure that needed skills will be readily available in the marketplace. And organizing work around short-term projects with clear end points can make turnover easier to manage. Companies can focus their retention efforts on keeping employees just until a project is completed – a much easier task than building long-term loyalty.

People who would hardly think twice about abandoning a company find it very difficult to walk out on their teammates.

Information technology can also help employers cope with turnover by preserving some of the institutional memory that employees would otherwise take with them. Customer relationship software automates sales and gives clerks access to client histories, including prior orders and complaints, allowing the clerks to sound familiar with accounts they know nothing about. Groupware applications like Lotus Notes can standardize interactions and keep records of decisions and crucial contextual information, providing something like an electronic record of employee knowledge. Other programs, such as Open Text's Livelink, enable all employees to track and share documents on an intranet. New simulation software for team-based project management, such as Thinking

Tools' Project Challenge, helps new teams learn how to work together much more quickly than on-the-job experience would allow.

Even a technology as simple as e-mail can prove to be a godsend when key employees are lost, as Pamela Hirshman, a project manager at Young & Rubicam, recently found out. She was called in to take over a project after the entire original project team had left. "The project file had a record of all the e-mails between the team and the client," she says, "and after reviewing about 50 of these, I was up to speed on the problems of the client and where the project was heading."

Cooperating with Competitors

Because of the intensity of the talent war, companies instinctively view retention and recruitment as competitive exercises – a perspective that has kept them from seeking help from one another. But history shows that cooperation, even among competitors, can be one of the most effective ways of dealing with talent shortages. In the 1950s, the big aircraft companies like Lockheed, McDonnell-Douglas, and Northrop competed fiercely for the government contracts that were their lifeblood. When a company won a new contract, it faced the challenge of quickly hiring skilled staff to carry out the work. When a company lost a contract or simply finished a project, it had the problem of excess staff.

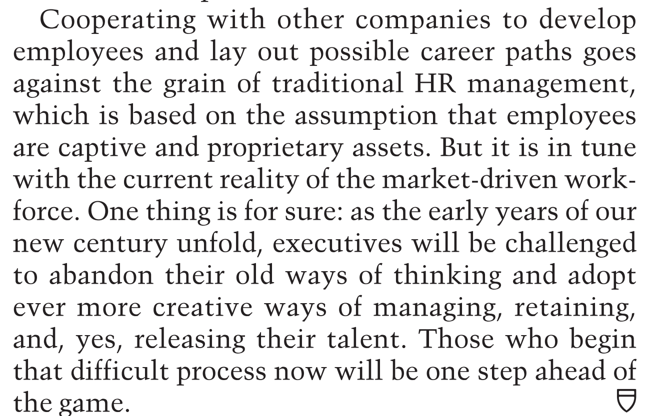
A solution emerged in southern California, where many of the companies had operations. They began to "lend" teams of employees to one another. A company that lost a fighter contract, for example, would hire out a team of experienced employees to the company that won it. The team members would remain employees of the first company. Lockheed reported that its program, known as Lending Employees for National Development (LEND), had a wide range of benefits. In addition to avoiding layoffs, the company retained its investment in key employees, maintained its capability to bid on future contracts, and broadened the experience of its leased employees.

The aerospace industry saw another type of cooperation, one between prime contractors and subcontractors. Complicated components for large projects would be created at a subcontractor, then moved to the prime contractor, where they were assembled into a larger module and passed on to a final assembler before being delivered to a client like NASA – a process that could take years. Key employees of the subcontractor followed the component to the prime contractor, becoming employees of the prime contractor and working alongside its staff.

Perhaps the most expansive current example of cooperation in hiring is the Talent Alliance, which began at AT&T and has grown to include about 30 large companies. It started as a kind of sophisticated job bank during the era of downsizing and high unemployment. Companies that had to lay off skilled workers could market them to other employers that might be looking for such skills. The Talent Alliance has since expanded its charter. It now provides standardized tests for screening and evaluating people and for matching them with jobs at member firms.

Sometimes it's impossible to ensure the retention of a particular group of employees; in those cases, companies can learn to adapt.

Other, more ad hoc, collaborations are appearing among noncompeting companies. Cascade Engineering, a plastic parts manufacturer in Grand Rapids, Michigan, has teamed up with a local Burger King to coordinate recruiting. Applicants who do not have the skills necessary for Cascade's production positions but who otherwise seem like good workers are offered jobs at Burger King. Successful Burger King employees who begin looking for more skilled positions are offered vocational counseling at Cascade. The prospect of moving to Cascade provides an incentive for people to join and stick with Burger King, and the Burger King employees become a dependable labor pool for Cascade. The career development that individuals in the past would have experienced within a single company now takes place across two companies.



Cooperating with other companies to develop employees and lay out possible career paths goes against the grain of traditional HR management, which is based on the assumption that employees are captive and proprietary assets. But it is in tune with the current reality of the market-driven workforce. One thing is for sure: as the early years of our new century unfold, executives will be challenged to abandon their old ways of thinking and adopt ever more creative ways of managing, retaining, and, yes, releasing their talent. Those who begin that difficult process now will be one step ahead of the game.

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