



### Planning for 2006: Aligning HR Strategy with Business Strategy

HARRT 2003 Annual Retreat

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Presentation by

**Frederick Vollrath**, Vice President, Human Resources, Computer Sciences Corporation

Faculty Moderator

**David Lewin**, Neil Jacoby Professor of Management, The Anderson School

By Lori Tranquilla

Fred Vollrath VP, Human Resources at computer Sciences Corporation, the world’s third largest information technology (IT) service company, started the HARRT Retreat’s full day session by sharing his perspective on Strategic HR management. Fred and Professor David Lewin moderated the discussion covering the role of HR in leading business growth.

*“Strategy without an action plan is a dream. Today, we are talking about strategy and action and holding people accountable to act.”*  
~Fred Vollrath

#### CSC’s Response to Economic Downturn

Fred presented a case study of CSC’s repositioning after the late 1990’s boom and the role of HR strategy in their business realignment. CSC had to retrench and not only become a more efficient, cost-conscious organization, but it also had to decide what its core service offering was going to be. They looked at providing different service models (including HR business process outsourcing) and attacking different market

*Continued on page 2*

#### TABLE OF CONTENTS

Feature Articles:

- Planning for 2006: Aligning HR Strategy with Business Strategy.....1
- Enhancing Board Effectiveness: Opportunities for HR Executives.....3
- Elements of Organizational Success.....5
- Organizational Change Through Teamwork, Talent, and Technology.....7
- Embedding Continuous Improvement for Organization Efficiency.....9
- Aging Work Force: Trends and Issues for Employers.....11
- HARRT’s New Members.....15
- HARRT Governance:
  - Faculty Advisory Committee.....16
  - Executive Committee.....16

## Aligning HR Strategy with Business Strategy

segments to fend off increasing competition from IBM, EDS, Hewlett Packard, Accenture and CAP Gemini. Instead of looking to untested segments for growth, CSC strengthened their focus on IT outsourcing and consulting services, leveraging their expertise in the government space, specifically federal outsourcing in both the US and UK. This approach enabled CSC to best meet the new nature of IT service demand as defense activity increases and Fortune 500 companies begin to invest again in their IT infrastructures.

### *Leading Business Growth and Organization Change*

*“An HR System for a global CSC that enhances profitability and growth; attracts, develops and sustains quality people; and supports our corporate values”*

*~ Fred Vollrath*

Once CSC refocused its strategic direction, Fred led the organizational change effort required to move CSC to a more centralized structure in order to best execute on its priorities. In the late 1990's, the marketplace focus was on revenue, which has now shifted to free cash flow. This dynamic caused CSC to make a significant shift in how they value people and how they position CSC in the marketplace. Despite the past success of the decentralized structure (CSC's revenues approached \$11 billion last year), their entrepreneurial structure was creating more coordination and communication challenges and decreasing customer value. CSC's main challenge was to create a consistent global service delivery system across the entire company to increase operational effectiveness. This represented a significant cultural shift as CSC has acquired 83 companies in the last 17 years and more than 70% of company employees are new to CSC in the last ten years.

The following list highlights key elements of CSC's HR world delivery initiative:

- Common lexicon and common systems worldwide
- Geographic talent mobility: move people and work globally, including moving bench strength to projects outside home country

- Newly created programs for management skills/interpersonal development
- Succession planning focused on three layers beyond group president
- Use of Gallup 12 survey to measure employee leadership and contribution
- Center of Excellence solely focused on acquisition integration

Fred talked about the importance of “blocking and tackling,” or doing the basics well, in order to move HR to a strategic level. Value delivery to customers and the future success of CSC's business depends on successful HR support of their human capital. HR is expected to create true change in six months and consistently show how it contributes to the bottom line.

### *HR Shared Services: Model of the Future*

CSC's HR group has taken \$110 M in audited costs out of the HR function in the last two years. The driving force in this success has been CSC's embrace of the shared services model. Shared services shifts the focus on HR service delivery away from administration and enables HR to increase its effectiveness as a business partner. Now CSC HR can focus more on policy and planning to provide input into their Strategic Action Plan.

Fred outlined the larger economic trend of business process outsourcing (BPO) and the market potential of the HR services outsourcing segment. After evaluating the landscape and their own experience with HR system consolidation and shared services outsourcing, CSC found that the complexity of the IT and cultural changes necessary for successful implementation would make it less profitable than other BPO niches. With goals to become a \$19 B company and to double its current operating income by 2006, CSC will continue to increase the strategic value of HR services while focusing on its core IT services business.

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*Lori Tranquilla is currently a second year student at the Anderson School at UCLA pursuing a human resources-focused MBA.*

# Enhancing Board Effectiveness: Opportunities for HR Executives

## Guest Presenters:

**Donald Gallo**, Senior Vice President, Sibson Consulting  
**William Ray**, Board of Directors, Mississippi Blue Cross/Blue Shield

## Faculty Moderator

**Sanford Jacoby**, Howard Noble Professor of Management, The Anderson School

## Session Leader

**Judy Ehrenreich**, Senior Vice President, Human Resources, PacifiCare

By Jennifer Li

At the 2003 HARRT Annual Retreat, Donald Gallo of Sibson Consulting and William Ray of Blue Cross Blue Shield Mississippi shared their insights on how human resources executives can help corporate boards improve their effectiveness. The discussion was particularly timely because of the recent media focus on corporate governance in highly publicized incidents of corporate wrongdoing. Gallo cited the scandals at Enron, Tyco, and Adelphia as examples of how corporate boards have potentially failed to meet their obligations to stakeholders.

### *Governance Failures Highlight the Need for Change*

Ray spoke firsthand about what can go wrong when a corporate board does not meet its responsibilities. Ray was on the board of directors of Blue Cross Blue Shield Mississippi in 1995 when the organization was sued for \$20 million. Among the CEO, chairman of the board, and board members who were indicted by the federal government, Ray was the only one who was not indicted. He remained on the board after the lawsuit and played a critical role in turning the organization around—from \$3 million in debt to \$103 million in the black. Based on his experience, Ray stressed the importance of board accountability, processes, size, and composition. He acknowledged the challenge of

removing ineffective board members and described his board's method of moving a member to "trustee" status in order to decrease board size and make room for new members who would add more value. Ray emphasized that his focus in redesigning the board and its procedures was to make sure that every board member was both informed and accountable—under the new practices, no board member could ever say he or she did not know what the board had done.

Gallo suggested that the current turmoil affecting corporate governance might continue for the next few years while organizations correct past mistakes. There are a number of factors currently contributing to the strain on corporate boards. The combination of the sluggish economy, recent accounting scandals, and mistrust of corporate management has resulted in limited stakeholder confidence in the integrity of corporate governance. According to Gallo, the current troubled environment presents numerous opportunities for HR executives to help.

*"Effective and transparent governance practices are one of the many important drivers of overall corporate performance."*

~ Don Gallo

*Continued on page 4*

## Enhancing Board Effectiveness

### *Governance Effectiveness Requires the Right People, Practices, and Policies*

Gallo described Sibson’s model of corporate governance effectiveness. It is based on the premise that “effective and transparent governance practices are one of the many important drivers of overall corporate performance.” The model simply states that effective governance comes from a combination of people, practices, and policies. First, a board must select and develop the best board members so that it has the right talent. Second, the board must continuously focus on activities that add value so that it is consistently doing the right things to stay on course with its mission. And third, the board must operate transparently and within the legal and corporate boundaries so that it maintains both credibility and integrity.

### *HR Executives Have the Skills to Help Improve Board Effectiveness*

Given this model, Gallo pointed out that HR executives can play a major role in improving the effectiveness of corporate boards. He stated that HR executives should be concerned with board effectiveness because it is a part of organizational effectiveness and can be thought of simply as a combination of policies, practices, and people—topics on which HR executives are very knowledgeable. He suggested that there are four areas in which HR executives can influence corporate boards:

- Defining board effectiveness
- Clarifying roles
- Ensuring optimal composition
- Establishing appropriate pay

Defining board effectiveness involves setting standards for the board, its committees, and individual directors.

HR executives can help establish the board’s code of conduct and the methods by which it will evaluate itself. Clarifying roles means aligning committees with the mission of the board and making both the board and management accountable for its decisions. Ensuring

*“HR executives can help establish the board’s code of conduct and the methods by which it will evaluate itself.”*

*~Don Gallo*

optimal composition of a board means first establishing criteria and then recruiting and screening board candidates for the proper combination of

qualifications, experience, and skills. It also entails determining the optimal board size and the processes for nomination, rotation, and succession of board roles. Establishing appropriate pay is also critically important. It involves assessing the components and levels of compensation and ensuring that they appropriately match the demands of board roles. All of these functions are areas in which HR executives have the expertise to make important contributions.

### *HR Executives Can Help Raise the Issues*

While boards and CEOs might not fully understand how their HR executives can help with board governance, HR executives can take the initiative in offering their assistance. Ray pointed out that strong relationships between HR executives and CEOs will help open the door to more HR involvement. Gallo agreed that HR executives could help raise governance issues, but cautioned that they should avoid situations in which they advocate either for the board or for management. He suggested that the best role for HR executives is to use their expertise to raise issues and help frame them to assist the organization in improving its governance.



*Jennifer Li is a communications analyst at RAND Corporation and a student in the Fully Employed MBA program at the Anderson School where she is focusing on organizational development.*

# Elements of Organizational Success: Aligning Corporate Strategy, Culture, and Brand

Kenote Speaker

Howard Phanstiel, CEO, PacifiCare

By Whitney Brown

In 2000, Howard Phanstiel stepped into the position of CEO of PacifiCare, an underperforming company plagued by unstable networks, unprofitable accounts, faltering management, and a stock price that was down 80% from five months prior. His goal: to redefine the strategy of the company, remake the values of the culture to reflect that strategy, and rekindle the brand of PacifiCare to convey the new strategy to customers.

At the 2002 HARRT Annual Retreat, Judy Ehrenreich, SVP of HR for PacifiCare joined Dr. Bradford Spencer in presenting PacifiCare as a “living case” of corporate transformation. They illustrated the analytical strategic framework used by PacifiCare to align the corporate strategy with the internal culture and public brand that, at the time, was culminating in a business success story. Dr. Spencer defined alignment as “all the elements of a company working together within the context of the company’s core ideology and the type of progress it aims to achieve,” and he emphasized such alignment as instrumental in the success of a company. While the transformation of PacifiCare in 2002 was not yet complete, it has since completed its three-year remaking under the leadership of Mr. Phanstiel. Largely responsible for the success of the company’s transformation, the Human Resources department, led by Ms. Ehrenreich, played a key role in developing a new company culture to reflect the desired core values of PacifiCare.

## *Developing a New Strategy by Valuing People*

To raise a company from the brink of failure, Mr. Phanstiel knew that a strong underlying strategy was the key to success. He recognized, however, that the

strategy itself was not enough, but rather “to transform PacifiCare, it was necessary to establish a new strategy and develop the organization to support it.”

*“ . . . to transform PacifiCare, it was necessary to establish a new strategy and develop the organization to support it.”*

*~Howard Phanstiel*

Paralleling Ms. Ehrenreich’s case analysis from a year ago, Mr. Phanstiel discussed the typical frameworks into which most companies fit their strategy. PacifiCare realigned its new strategy with the idea of Product Leadership, establishing the PacifiCare brand as a one-of-a-kind market leader, unmatched in its excellence.

Through surveys, PacifiCare uncovered what was truly important to customers in health care. This allowed them to re-center the company’s strategy and values in order to align them with the values of their customers. Mr. Phanstiel observed, “By listening to what our customers valued, we developed a focus on results that permeates the way we do business.” Listening to customers illustrates one of the key tenets of PacifiCare’s new strategy, focusing on the importance of people. The other tenet involves not only valuing people but getting results from them. This second aspect of the new strategy was where the culture and people within PacifiCare became as important as the customers. The new strategy, focusing on people both internal and external to the company, was encompassed in PacifiCare’s new

*Continued on page 6*

## Elements of Organizational Success

value statement: “Caring is good. Doing something is better.”

### *Changing Culture to Reflect Core Values*

Although the new strategy successfully established alignment with key customer values, the internal organizational climate was out of balance at PacifiCare. In order to implement a new strategy, characterized by an achievement culture and defined by strong leadership, these new values had to be ingrained within the PacifiCare culture before they could be conveyed to the rest of the world.

Leading up to the years of strategic realignment, Mr. Phanstiel noted, “The company had lost track of its values.” Motivation and performance were lagging. Dedicated employees had lost faith in the underlying value system of the company, and the lack of strong leadership failed to imbue new employees with the confidence and loyalty that builds strong organizations.

Recognizing the importance of building employee ownership of the new strategy, Mr. Phanstiel partnered with Ms. Ehrenreich and PacifiCare’s HR department to involve employees in not only creating, but also implementing the change process. There were three important aspects of this implementation: communication, leadership, and rewards. These were instilled through open lines of communication between all levels of the company, leaders and an HR department who not only believed in but also practiced the new values of the company, and later in the process, employee rewards based on customer satisfaction, in order to illustrate the importance of upholding the value system.

Mr. Phanstiel and his management team explained the new strategy to employees through commercials created using highly emotive images of real people. Then they listened to feedback and redeveloped the strategy and promotional materials, based on the feedback. As the commercials were further refined,

employees began to react to the message with a sense of pride. The personal touch and emphatic message gave the employees something to which they could belong. They “could see the company wanted to make a tangible difference in the lives of their customers,” and as a result, employees committed themselves to the new strategy. Employee surveys show that satisfaction and confidence in the company have grown steadily since the initial introduction of the changes.

Throughout the change process, it was very important to keep the entire company abreast of news regarding the strategy implementation. Building on the importance of communication, Mr. Phanstiel instilled adoption of the new strategy among employees, managers, and even the board by communicating realistic goals and celebrating even small successes along the way. He asked every person to take on an individual role in helping the company succeed. These methods resulted in unquestioning ownership of the new strategy.

Mr. Phanstiel wanted the values of PacifiCare to be so ingrained in the company culture that no one even had to think about practicing them. He achieved this visibility through the establishment of a brand pledge, which is included in every meeting, in order to keep them focused on the goals of the company:

A brand pledge has the potential to foster cynical backlash if the company does not back up their words with their actions. Mr. Phanstiel had proved the sincerity of his strategy throughout the transformation of PacifiCare, and as a result, sincerity carries through into the work of everyone in the company today. Employees recognize that there is a connection between their own jobs and the company strategy and that they are a part of presenting that strategy to customers.



*Whitney Brown is currently a first year student at the UCLA Anderson School of Management pursuing an MBA with a focus in Real Estate and Entrepreneurial Studies.*

*Continued on page 14*

# Organizational Change Through Talent, Teamwork, and Technology

Len Schlesinger, Vice Chairman and COO, Limited Brands

By Whitney Brown

Over the past four years, Len Schlesinger has successfully assisted in the transformation of Limited Brands into one of the most successful retailers of its time. With an impressive resume hailing degrees from exemplary academic institutions, Dr. Schlesinger entered the retail industry by means of a friendship with the founder, Chairman and CEO of Limited Brands, Les Wexner. Through discussions with Mr. Wexner, Dr. Schlesinger observed that he did not understand the importance of the human aspect of his business. With this and his substantial training in business management in mind, Dr. Schlesinger imparted his advice on the roles of talent and leadership in cultivating a successful business. It was Dr. Schlesinger's belief in people and his ability "to translate personal learning to the operations of a parent group on a strategic level" that allowed him to transform Limited Brands into the company that it is today. From his developing position as friend, consultant, and eventually COO to Mr. Wexler, Dr. Schlesinger continues to act based on a few key convictions, true in both academics as well as business.

## *Asking Questions to Challenge Assumptions*

*"...in order to discover ways to improve a situation, one must immediately challenge assumptions by asking questions."*

*~Len Schlesinger*

Dr. Schlesinger believes that in order to discover ways to improve a situation, one must immediately challenge assumptions by asking questions. Only by asking a lot of questions will the "right" questions rise to the surface to be answered. Many businesses take the prevailing wisdom and practices of their particular industry as truth, and operate under the assumption that because other people are operating in a certain

way, it must be the "right" way. Dr. Schlesinger instead encourages people to question everything, especially prevailing wisdom. While this may seem difficult, as what is right is not always easy, it is important to remember that "if you inspect the content of any profession, you will find that what passes for profound knowledge just ebbs and flows with the tide as the world changes. Understanding the processes of management and the interpersonal processes of management – these are more important than being super-smart in any area." Dr. Schlesinger established that there are three keys to understanding these two processes of management and interpersonal relationships: talent, teamwork, and technology. By developing these three keys, all other aspects of business will fall into place.

## *Developing and Keeping Talent*

The most important building block of a successful business lies in its people. The most important aspect of hiring, according to Dr. Schlesinger, is in constantly raising the bar for talent. It is important to hire for attitude and intelligence first and to train for skills second. This will ensure a pool of talent with the capabilities necessary to achieve any standards set forth within the company. On the other hand, abilities and skills will increase with time and training.

While it is important to hire good people with high potential, it is just as important to develop skills through ongoing feedback and training. When Dr. Schlesinger stepped into his first role at The Limited Brands as EVP of Organization and Leadership Development, talent development was nonexistent. Only by improving this aspect of the business through intelligent hiring and the establishment of career plans could Dr. Schlesinger begin to establish a basis for improving the company as a whole.

*Continued on page 8*



# Embedding Continuous Improvement for Organization Efficiency: Maximizing Business Effectiveness Through People at Washington Mutual

## Presenter

**Beth Ganem**, EVP, Human Resources and Organization Development, Washington Mutual

## Session Leader

**Anne Hill**, VP, Global Human Resources, Baxter BioScience

By Jennifer Li

On October 4, 2003 at the HARRT Annual Retreat, Beth Ganem, Executive Vice-president of Washington Mutual Home Loans and Insurance Services Group shared how Washington Mutual uses innovative human resources approaches to drive operational excellence throughout the organization. Washington Mutual prides itself on being the “#1 recognized mortgage brand” and delivering to its customers “great value with friendly service for everyone.” But ensuring that the company delivers on its brand promise has become a greater challenge as the company continues to grow.

Washington Mutual, which was a regional bank for many years, has grown substantially in the past several years by acquiring many smaller banks. By doing so, it has established a national presence and become the seventh largest banking company in the United States. In the last five years alone, the company has grown to 65,000 employees, with the Home Loans and Insurance Services Group growing 5,000 to 21,000 employees in just the last 18 months. This accelerated growth has challenged human resources management: not only is the organization much larger, but it also brings together employees from many different organizational cultures.

Ganem and her team were charged with carrying out the mission of “maximizing business effectiveness through people.” To do this, they focused on three interrelated areas: talent management, organizational effectiveness, and operational excellence.

### *Talent Management Means Treating People as the Greatest Asset*

Acknowledging that many companies make the same claim, Ganem explained that Washington Mutual considers its people its greatest asset—because they allow the company to differentiate itself from other banks,

which may offer very similar products. Because Washington Mutual creates competitive advantage by encouraging excellence in its employees, it is

*“Because Washington Mutual creates competitive advantage by encouraging excellence in its employees, it is important to create a system that recognizes, nurtures and promotes talent.”*

*~Beth Ganem*

important to create a system that recognizes, nurtures, and promotes talent.

The company accomplishes this through its “general manager” approach to executive development. This approach uses rotational assignments to move employees through different parts of the organization and ensure that future executives grow beyond a narrow, job-centered focus. The rotations also challenge employees to take on more responsibility and stretch themselves professionally. By giving an employee more responsibility in an area in which he or she needs to develop, the company creates a culture of opportunity while also ensuring that the organization builds a broad base of talent to fill its critical roles.

### *Manager Tools Improve Organizational Decision-making*

Ganem described a number of manager tools that she and her team use to build organizational effectiveness at Washington Mutual. The tools are specific processes designed to yield better decision-making. Among the many tools they use is one called

*Continued on page 10*



# Aging Workforce: Trends and Issues for Employers\*

## Presenter

**Paul Ong**, Professor, Urban Planning, Director, Lewis Center for Regional Policy Studies

## Faculty Moderator

**Daniel J.B. Mitchell**, Ho-Su Wu Professor of Management,  
The Anderson School and Professor of Policy Studies, School of Public Policy and Social Research, UCLA

By Nancy Tahvili, Susan Tashiro and Kathy Santoso

Understanding trends in the workforce, especially changes in age and ethnicity, is important in creating and maintaining an effective job environment. The session, “Aging Workforce: Trends and Issues for Employers” presented on October 4, 2003 HARRT Annual Retreat, examined Southern California workforce trends in age, ethnicity, education and gender as well as economic factors that influence workforce trends.

### *Workforce Demographic Trends for Southern California*

#### *Age*

The demographic profile of California’s population has changed dramatically between 1970 and 2000. Specifically, the growth rate of older people (over age 70) constituting the labor force has grown by over 100 percent in the last three decades: a 100% growth increase for persons age 75-79, 140% increase in the 80-84 strata, and a staggering 210% for persons over 85 years.<sup>1</sup> Paul Ong, Professor of Urban Planning and Director of the Lewis Center for Regional Policy Studies at UCLA, presented results of a research project sponsored by the Aerospace Corporation and the Lewis Center.\*

The main concern among HR executives at the retreat was whether the workforce population has the necessary skills and knowledge to carry out tasks demanded by

firms. As older employees near retirement, employers face a potential shortfall of skilled employees. As discussed in “Southern California’s Labor Force: Diversity and Aging” report, persons who were 25-35 years of age in 1980 aged as a group and became a group of 45-55 year olds in 2000<sup>2</sup>. This effect, combined with the fact that students are staying in school longer, helps explain the slight decline in the population of younger workers, while the older workers are increasing proportionately as the baby boom generation ages. While this aging trend has been steadily increasing over the last 30 years, researchers project that the rate of growth in the number of older people constituting the work force will continue to reach new highs until 2030.

As a whole, the older labor force (50 and up) is increasing, while the overall participation rate in the labor market remains unchanged.<sup>3</sup> Older workers tend to have more education and more institutional knowledge than younger workers. For organizations with mandatory retirement, companies risk losing knowledge if they don’t have effective knowledge management and mentoring programs in place. Those organizations who want to retain or hire older employees will need to consider what older workers want in terms of tangible and intangible benefits related to health care, insurance, pensions and flexible schedules and time off and organizational culture and communication that reflects age diversity.

\* HARRT wishes to acknowledge the support of Marlene Dennis and the Aerospace Corporation for the sponsorship of this research project and the research support provided by the Ralph and Goldie Lewis Center for Regional Policy Studies at UCLA.

*Continued on page 12*

## Aging Workforce

### *Ethnicity*

The ethnic composition of California's population and workforce has shifted dramatically in the last 30 years. Specifically, there has been a noticeable decline in the percentage of non-Hispanics and an increase in the percentage of Hispanics between years 1970 and 2000. Four decades ago the non-Hispanic population was 70 percent of the population, now it is less than 40 percent of the population.<sup>4</sup> On the other hand, the Latino population more than doubled between 1970 and 2000. Professor Ong, pointed out that the Latino population growth has been driven by immigration and second-generation growth. In Southern California, the percentage of foreign born has increased from 21% to fewer than 40%. Weighing these figures against the national level, Southern California has the largest amount of immigrants, which is twice the percentage of the U.S.<sup>5</sup> According to the data by the U.S. Census, Of foreign born in the labor force, citizens represent a smaller percentage than non-citizens, which means that there are less eligible workers for organizations, such as government jobs, that require citizenship status. In 2000, Southern California had 16 percent foreign-born citizens, compared to 21 percent non-citizens.

### *Economic Factors*

Economic factors, such as business cycles and structural changes, also affect the size and composition of the labor force. These economic factors help explain the overall labor force trends. Looking at U.S business cycles, there was an economic slump in the early 1990's that was followed by unprecedented growth that leveled off by 2001.<sup>6</sup> Likewise the relative size of the California labor force from 1990 to 2002 followed the trends of the business cycle with 12,500,000 people in the labor force in 1990, decreasing to 12,000,000 in 1993, and then leveling off at nearly 15,000,000 in 2001.

### *Gender Issues*

Turning to the gender composition of the labor force, the participation of females is consistent with a 2% increase in the last two decades, making up about

45 percent of the labor force from 1980 to 2000.<sup>7</sup> This trend is expected to persist, as the percentage of Latino women in the labor force actually is projected to decline. However because females do constitute a significant percentage of the workforce, employers responsive to the differing needs of women may develop policies geared toward more flexible work hours and maternity leave benefits. They may also acknowledge and benefit from differences between genders with respect to communication styles and emotional intelligence.

### *Education and Skills*

Educational success has an immense effect on the skill level of the labor force and whether people in the labor force are qualified to fill desired positions. There is a slight decline in younger workers, which is partially driven by the fact that people are staying in school longer. The implications of this are that the work force is becoming more educated and acquiring more skills. While, the proportion of the workforce for Southern California with college degrees is higher than the state of California and the nation, there is a decline in persons in the workforce without a high school education. According to the figures from the U.S. Census, in Southern California, the percentage of the population without a high school degree increased from 1980 at 22% to about 24% in 1990 and then dropped back down to about 21% in 2000.<sup>8</sup> Also, the percentage of the labor force in Southern California with a bachelor's degree has grown to about 25%, which is similar to the national percentage. Comparing Southern California's figures to that of the nation's we find that Southern California is a highly educated region as compared to the rest of the nation and positions California well with respect to having the skills necessary for employers.

The size of the older work force increased particularly for the more educated.<sup>9</sup> Younger age groups in the workforce are forecasted to attain similar education levels as the older workforce, however there may be shortages in terms of the actual numbers of younger workers with higher education. Professor Ong, points out that the data only accounts for education levels and does not include worker skills. This means that

## Aging Workforce

although the data shows comparable education levels for the other age groups besides the older population, it may not mean that they have all of the skills necessary that may be acquired by work experience.

### *Implications for Employers of Work Force Ethnic and Aging Trends*

For areas in which there is a shortage of skills and knowledge, some firms are offering premium pay to attract or retain older highly educated, productive and skilled workers. For other firms with economic constraints, the ability to hire more experienced workers may be limited, thus shifting the workforce to a younger average age and skill level.

### *Keeping Employees Motivated*

There is a lack of motivation, especially with the younger generation, because “they want to be presidents,” as mentioned by one of the HARRT members during the session. The member went on to state that the younger generation does not see that they are going to get promoted and leave, because the older work force is still present. Perhaps there is a perception that opportunities do not exist for younger workers when older workers do not retire. On the other hand, the younger workers need to be experienced to be promoted.

In order for companies to recruit, retain, and promote younger employees in the interest of increased productivity, they need appropriate transition plans for older non-productive employees and to set realistic expectations and career development for younger employees.

### *Implications of Aging in the Workforce*

One of the main concerns for employers is figuring out how to transition the older, especially unproductive employees in their companies. This is especially difficult to accomplish when older workers do not want to retire. For some older workers, work becomes the means for social interaction, which may be one of the reasons they do not leave. Other major reasons why the older work force is reluctant to retire is the need for health care benefits and continuing income.

Professor Ong pointed out that there is lack of retiree health care and some older employees are just below the qualifying limit for Medicare pension plans. As a result, a number of retired individuals are now going back to work primarily to have health care benefits. Also, people with early retirement incentive plans come back because they are unable to afford a full retirement. Many of these individuals continue to work part time and are able to retain health plans, although most have to essentially pay for their own HMO health plans. There is however, an increase in the use of contract companies like Icon and other resource connection companies that are able to provide some health care. These companies want to hire back the older work force that chooses to retire and are now coming back to work part-time. Older employees are useful to organizations because they are highly experienced workers.

The members discussed counseling and educational seminars currently available that are designed to assist non-productive older employees with transition. The problem is that many employees do not take advantage of these seminars, however the feedback from the few people that do has been extremely positive. Accordingly, HR executives may want to consider how to promote these types of transition seminars and counseling and make them more attractive to their older work force. Another factor in the transition of the older work force is if they have Worker’s Compensation. It was the consensus of the HARRT members that an older staff is more likely to retire earlier if they have Worker’s Compensation.

Many of the solutions discussed in transitioning non-productive older employees are associated with a high cost to companies. However, as mentioned by Professor Ong, “there is more room for experimentation and therefore better flexibility in moving people out.” The main difference between individual firms and government agencies is that government agencies can endure the higher cost of providing better benefits. These differences, in addition to both employee and employer perspectives, should be taken into account in order to construct public policies that are suitable and fair to all organizations.



*Continued on page 14*

## Elements of Organizational Success

### *Aligning Brand with Culture to Reflect New Goals*

Through listening, communicating, and putting people first, the company had set a standard defining where it wanted to be. While they weren't there yet, Mr. Phanstiel noted, "Bridging the gap between where an organization is and where it wants to be is an important part of managing the change process." Thus, he recognized the importance of changing the culture of the company and then aligning the brand with that culture to reflect the new goals of PacifiCare.

*"Bridging the gap between where an organization is and where it wants to be is an important part of managing the change process."*

*~Howard Phanstiel*

The goal of the brand realignment was to convey to customers the goals of caring and doing, embedded in the value statement. This extends beyond customers and into the community through PacifiCare's charitable contributions, even during tough times, and the demonstrated dedication to the community further develops a brand of which PacifiCare's employees can be proud. To sing the company's theme song in commercials, Mr. Phanstiel hired the Urban Entertainment Institute in order to support underprivileged teenagers. For the customers, PacifiCare realigned and stabilized their care networks and even expanded their product offerings. In his own words, he "wanted PacifiCare's goal to be *delighting* and not just satisfying customers." As evidenced by the rising stock price, free cash flow growth, and most importantly the purpose and dedication evident in PacifiCare's employees, Mr. Phanstiel and his executive team have aligned the strategy, culture, and brand into organizational success.

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*Whitney Brown is currently a first year student at the UCLA Anderson School of Management pursuing an MBA with a focus in Real Estate and Entrepreneurial Studies.*

## Aging Workforce

### **(Footnotes)**

<sup>1</sup> Section 1. Overall Population Trends: Labor Force Trends, in the Southern California's Labor Force: Diversity and Aging Report.

<sup>2</sup> Section 2: Labor Force Trends, in the Southern California's Labor Force: Diversity and Aging Report.

<sup>3</sup> Section 4: Size of Older Work Force reported in the Southern California's Labor Force: Diversity and Aging Report.

<sup>4</sup> Section 1. Overall Population Trends, in the Southern California's Labor Force: Diversity and Aging Report.

<sup>5</sup> Noted by Paul Ong in the HAART October 2003 Workshop at the session on Aging Workforce: Trends and Issues for Employers.

<sup>6</sup> Section 2: Labor Force Trends, in the Southern California's Labor Force: Diversity and Aging Report.

<sup>7</sup> Section 3: Labor Force Composition, in the Southern's California Labor Force: Diversity and Aging Report.

<sup>8</sup> Figure 13. Labor Force, Without a High School Degree, reported in the Southern's California Labor Force: Diversity and Aging Report.

<sup>9</sup> Section 4: Size of Older Work Force reported in the Southern California's Labor Force: Diversity and Aging Report\*.

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*About the Authors:*

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\*To view a complete copy of the report, *Southern California's Labor Force: Diveristy and Aging* as a pdf file, please visit the HARRT website [www.harrt.ucla.edu](http://www.harrt.ucla.edu) in Publications section under Special Reports.

# M E E T I N G   H A R R T ' S N E W   M E M B E R S

## E D E N   F E D E R



Eden Feder is Senior Vice President of Human Resources for Zenith Insurance, a \$600 million workers' compensation company based in Woodland Hills, CA. Eden and her team have national responsibility for all aspects of Human Resources for 1400 employees located in 19 branch locations. She has worked for Zenith on two separate occasions, holding the roles of Learning & Development Manager, Vice President of Learning & Development and her current role since May 2002. Current initiatives underway at Zenith are the development of a company-wide success profile, leadership training curriculum, web-enabled education programs integrated with a learning and content management system, and a complete overhaul to the company's performance management system. The company's overall goal is to create a culture based on learning, curiosity, change resilience, problem solving, and knowledge sharing.

Eden's career prior to Zenith includes roles primarily focused on Organization Development for companies such as Disney Consumer Products, Blue Cross of CA, and National Medical Enterprises.

Eden's undergraduate degree in Psychology is from UC Santa Barbara and she received her masters' degree and completed 2 years in the Organizational Psychology doctoral program from California School of Professional Psychology in Los Angeles. Eden lives in Tarzana with her husband Scott and 2 ½ year old son Jack.

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Beth Ganem, Executive Vice President, Organizational Development and Human Resources, Consumer Group, oversees all human resources functions, including talent acquisition, organizational learning and executive development, compensation and recognition programs.



Ganem has more than 15 years of experience in human resources and organizational development and design. In 1999 she joined Washington Mutual's Consumer Finance Group as senior vice president of organizational development and human resources. Formerly at Long Beach Mortgage Company Ganem joined the management team to conduct a successful IPO and was later promoted to senior vice president, Long Beach Financial. Previously she was vice president and west coast director of human resources for Bankers Trust Company.

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