



November 2005

Bringing Work to Life

Volume 2, Number 11

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Welcome

Welcome to the latest issue of Bringing Work to Life. We explored the following topics in issues over the past twelve months (all newsletters are available at www.elsdon.com/newsletters.htm):

- Nothing business, it's just personal (October 2005)
- Who are you? (September 2005)
- Leadership roles (August 2005)
- Leadership courage (July 2005)
- The real scoop (June 2005)
- Listening to the organization (May 2005)
- A kinder, gentler place (April 2005)
- Accelerating into your new position (March 2005)
- Workforce leadership (February 2005)
- Searching for success (January 2005)
- Ethics and leadership (Year End 2004)
- Linking workforce development to value creation (November December 2004)

This month we explore the subject of building strong relationships in organizations in The Promise of Affiliation.

The Promise of Affiliation

Sam was wrestling with finding a fulfilling work experience when he first came for career counseling. After recent changes in his organization he felt trapped and was unsure of his path forward. Sam began his work life as an individual contributor and was now a senior manager. He doubted his ability to work at this level in spite of his accomplishments. Over time we worked on exploring his aspirations and how

Ron Elsdon, Ph.D., is founder of *Elsdon Organizational Renewal*, which focuses on supporting organizations enhance effectiveness through revitalized workforce relationships and leadership practices. Prior to establishing his practice, Ron held senior leadership positions at diverse organizations. Ron is also co-founder of New Beginnings Career and College Guidance, which provides caring and personalized help to individuals and families in career guidance, coaching and college planning.

Ron is author of *Affiliation in the Workplace: Value Creation in the New Organization* (2003), a book describing leadership approaches to integrate the needs of the individual with the needs of the organization for the benefit of both. Ron holds a Ph.D. from Cambridge University in Chemical Engineering, an M.A. from John F. Kennedy University in Career Development and a first class honors degree from Leeds University in Chemical Engineering. With his co-author he was awarded the Walker Prize by the Human Resource Planning Society for the paper that best advances state-of-the-art thinking or practices in human resources.

he might achieve them. Soon after we started working together Sam was promoted and began to spread his wings, building confidence in his leadership abilities by turning a struggling organization around. Then, suddenly, the organization was sold to a new management team that valued control and intimidation, in exchange for good pay. It was no surprise when Sam left three months later, for a competitor that was building its business model on cooperation, integrity and commitment. A year later Sam's new organization was prospering. Sam's former employer went into steep decline, losing market position and employees.

Many aspects of the contemporary work world are mirrored in Sam's experiences. They include the consequences of losing talented people, the disconnection between a control-oriented management culture and the expectations of today's employees, the inability of money to compensate for leaders who fail to support and value people, and the instability of the working environment. The relationships that these two management teams chose to foster with individuals in their organizations speak to organizational survival. The team that chose control and intimidation put their organization at risk. The team that chose affiliation built a foundation for future strength. Let's look further into this. For example, why we choose to connect, and remain with an organization, even though we may relinquish some freedom of choice. Why organizations benefit from relationships that are more than short term transactions even though they may lose some flexibility.

If our decisions, as individuals, were purely economic then financial return would be the only criterion we would need to make those decisions. In fact our interviews with people in, or leaving, organizations show development, recognition, and work environment higher in priority than compensation. The decision to affiliate with an organization is, at its core, an emotional decision. It builds on a sense of belonging as a fundamental human need that drives the formation of organizations, in spite of difficulties, tensions and ambiguities. The decision to affiliate is complex, intimately connected to finding fulfillment, and unique for each of us.

How about for the organization? Organizations engage in conversion processes that generate a combination of economic, social and community value. In times past conversion processes were largely physical, for example iron ore into steel, or natural fibers into yarn, fabric and garments. Today information and service delivery dominate, for example in the creation of software, visual images, textile designs or leadership development processes. These processes usually require an extensive and growing body of knowledge, and they frequently involve complex internal and external relationships. People gain in effectiveness with time and experience, in turn generating more organizational value. Reichheld (*The Loyalty Effect*, 1996) shows individual productivity increasing dramatically for stockbrokers, truck drivers and insurance agents with the same general pattern, as tenure with the organization increases. Continuing to secure this productivity gain also means re-energizing the relationship over time through growth and development. So economic value is enhanced through extended rather than transient relationships. Extended affiliation both enhances individual fulfillment and organizational value creation.

What do we mean by affiliation? Affiliation is defined as becoming closely connected or associated. It is from a medieval Latin word meaning to adopt. This mutual adoption of an organization by an individual and vice versa requires tenacity,

commitment, shared values and common goals. This contrasts with the traditional practice of retention, which is defined as: to hold back, keep, restrain or to keep in one's pay or service. Retention at its core is a one-way relationship, done by the organization to the individual. Neither a noble nor practical goal.

Affiliation at its core is a two-way relationship, supported by both the individual and the organization. In the emerging work world both parties have an equal say. Such a two-way relationship is strong when both parties willingly participate without one being coerced by the other. The emerging approach contains the following elements:

- Understand individual needs
- Provide options and choices
- Foster learning
- Support breadth in development
- Engage individuals as volunteers

Strong relationships of individuals to organizations reflect each person's individual needs rather than a “take it or leave it” proposition rolled off an organizational assembly line. Strong relationships are one-to-one not one-to-many. They require enhanced interpersonal skills from those in the organization. They also require deep knowledge of organizational direction and opportunities, as the relationships build and grow around the provision of options and choices. These choices include practical aspects such as time flexibility, structural aspects such as the nature of management relationships, and content aspects such as project areas of interest.

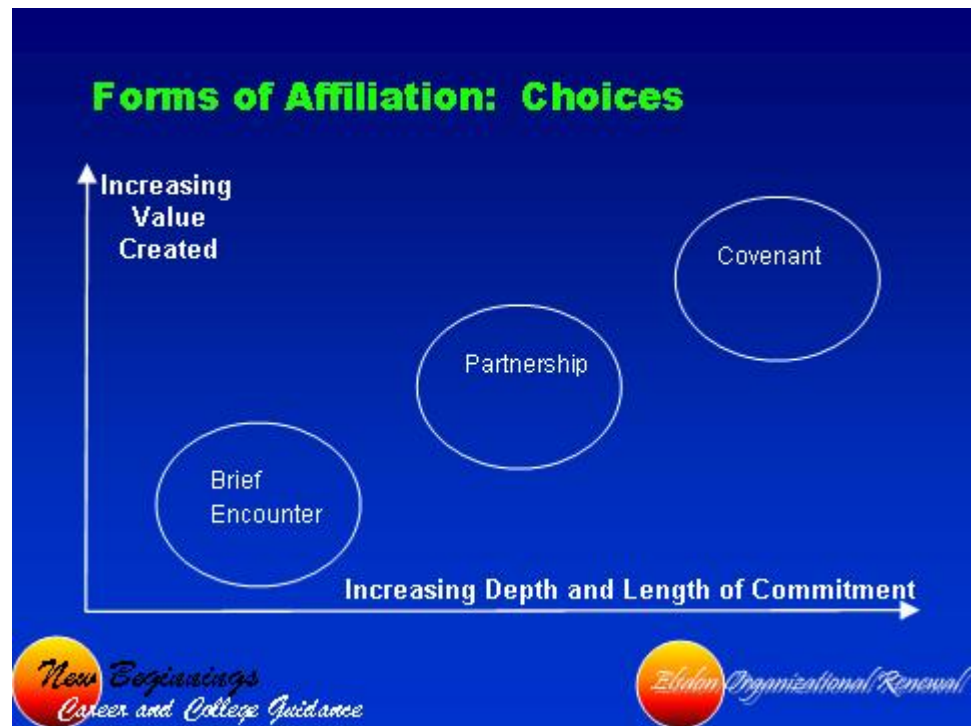
It used to be said that technical knowledge was current for about five years. Today knowledge stays current for months rather than years in technical and many other fields. For example in the tools we use for analysis and communication. Organizational success and survival require constant learning, which means supporting individual development in areas that engage people, whether technical, interpersonal or business.

In a world where affiliation is a daily choice, we can readily reach Peter Drucker's conclusion that we need to engage individuals as volunteers. This means respecting and acknowledging contributions, seeking broad input into decisions and addressing individual aspirations along with organizational needs. In so doing we can engage people in a much deeper and more productive relationship.

We have found (http://www.elsdon.com/learning_resources1.htm) that strong affiliation leads directly to people:

- Making decisions to stay with an organization
- Being willing to return should they leave
- Operating closer to their full potential, and therefore being more productive

We can choose the form of affiliation to foster in our organizations and as individuals. We can view this as ranging from a brief encounter, through a partnership, to a covenant (or mutual promise):



The meaning of these choices is shown in the following table for the organization and for the individual:

	For the Organization	For The Individual
Brief Encounter	<ul style="list-style-type: none"> ▶ Pay for services ▶ Flexible ▶ Little productivity growth 	<ul style="list-style-type: none"> ▶ Job/Occupation ▶ Doing dominates ▶ Little commitment
Partnership	<ul style="list-style-type: none"> ▶ Productivity growth ▶ Mutual development ▶ Some commitment 	<ul style="list-style-type: none"> ▶ Career ▶ Continuity ▶ Fulfillment/External validation
Covenant	<ul style="list-style-type: none"> ▶ Extensive value creation ▶ Significant resource investment ▶ Extended commitment 	<ul style="list-style-type: none"> ▶ Vocation ▶ Deep commitment ▶ Aligned purpose

The depth and length of commitment increases as we move from brief encounter to partnership and to covenant. Organizations benefit from greater value creation as we move along this track. As individuals our degree of fulfillment increases along

this path as we better align who we are with our work.

Where does the HR practitioner fit into this picture? With the workforce central to value creation, HR can make a major strategic contribution:

- Identifying and nurturing critical leadership skills that enhance employee affiliation and enable attainment of business objectives
- Sponsoring and implementing a framework for employee development linked to business direction
- Providing a framework that enables each person to identify his or her path of personal fulfillment and linking this to organizational direction
- Providing approaches that enable leaders to understand the impact of workforce development on value creation

and re-thinking practices that:

- Limit development, such as barriers to movement
- Limit commitment, such as at-will employment clauses
- Speak to impermanence, such as downsizing
- Seek to evaluate rather than encourage, such as ordinal performance ranking
- Reward only immediate and parochial results
- Foster disproportionate rewards at higher organizational levels
- Ignore individual needs

By building strong bonds of affiliation we enhance individual fulfillment, organizational productivity and community prosperity. People will describe such environments in similar words to these gathered during a recent interview from a person who retired: “This place was my home. I grew up there. It’s the best organization to work for. I have many wonderful memories.” May this be true for all of us.

(The subject of affiliation is explored in depth in “Affiliation in the Workplace: Value Creation in the New Organization” by Ron Elsdon, Praeger, 2003. Some of the material in this article is excerpted from “Affiliation in the Workplace.”)

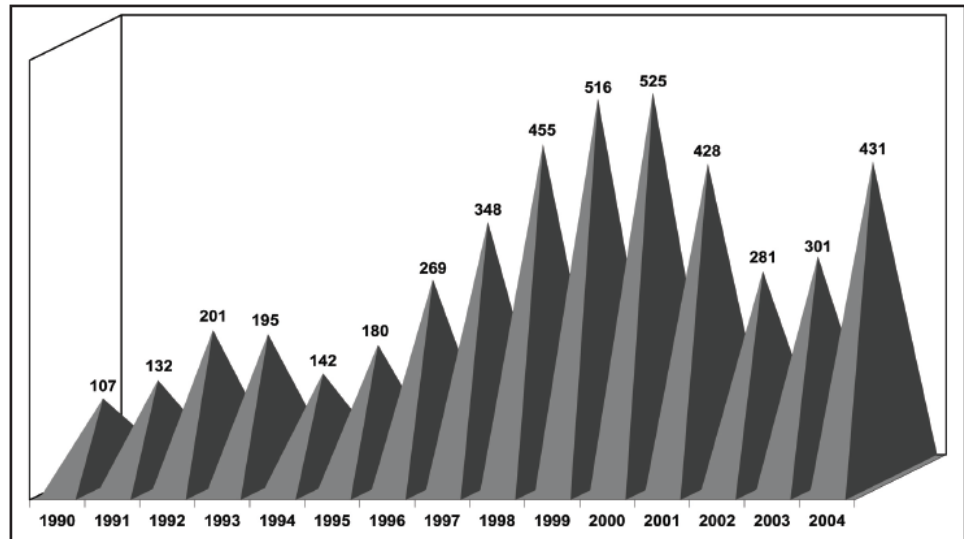
Cats and Executive Pay

Our large cat, Smudge, often ingeniously manages to coax more food from us, successfully outwitting our attempts to keep him at a healthy size. In fact there appears to be no limit to his appetite. While we may smile at this behavior in a cat,

it takes an ominous turn when we see similar behavior from those in positions of power. It does not feel good to be a tasty morsel of food for a rampaging fat cat. But that is the case in many organizations in today's corporate world.

The following figure shows the growing divide between executive and worker pay in the U.S. The ratio of average executive to average worker pay was about 40 in the early 1980s, it rose to around 100 in the early 1990s as shown in the figure, moved to over 500 in the early 2000s and now, after a slight dip with a slowing economy, is well over 400 again.

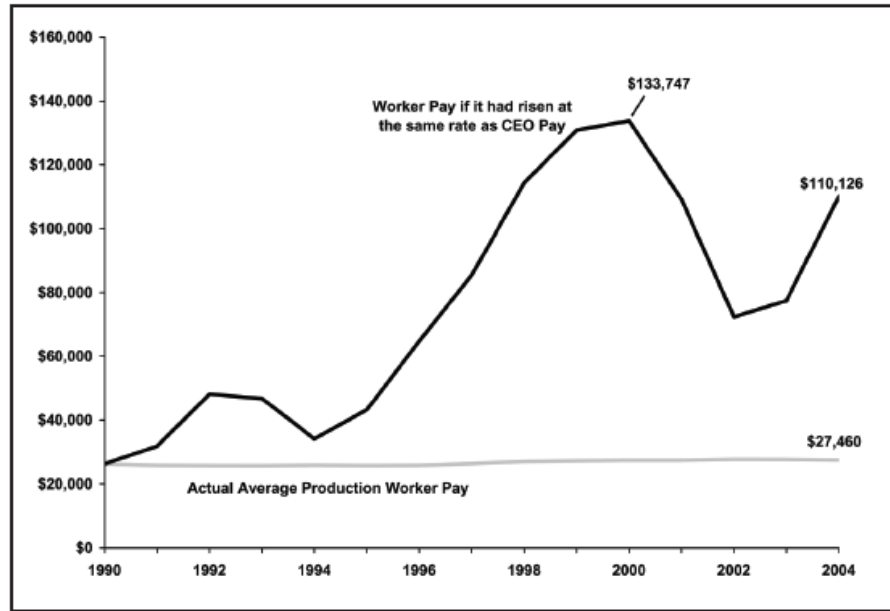
Figure 3: Average Executive to Average Production Worker Pay Ratio, 1990-2004



Source: Total executive compensation: Business Week annual compensation survey, various issues, 1991-2005. Includes: salary, bonus, restricted stock, payouts on other long-term incentives, and the value of options exercised. Note: 2004 total compensation figure calculated by the authors based on data in Business Week survey. Average worker pay: BLS, Employment, Hours, and Earnings from the Current Employment Statistics Survey, Table B-2.

We can compare the actual change in worker pay from 1990 with the change that would have occurred had workers received the same increases as CEOs over this time, starting from a base of \$20,000 in 1990. The following figure clearly shows the grossly disproportionate increases accruing to the CEOs.

Figure 5: Value of CEO Pay and Average Production Worker Pay, 1990-2004 (in 2004 dollars)



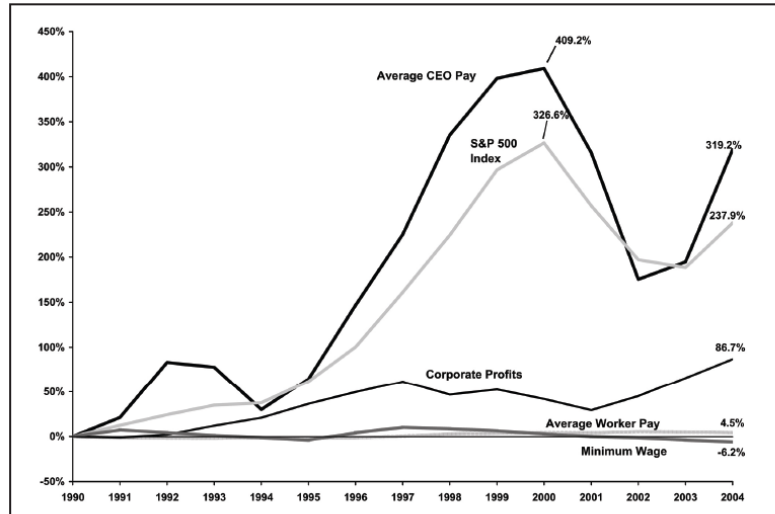
A similar pattern emerges when we compare the actual increase in minimum wage with the increase that would have corresponded to the increase in CEO pay since 1990, as shown in the following figure.

Figure 6: Value of CEO Pay and the Minimum Wage, 1990-2004 (in 2004 dollars)



Isn't the increase in CEO pay simply a measure of corporate performance? The following figure shows how CEO pay increases far exceed increases in corporate profits since 1990. Increases in worker pay, on the other hand, are much lower than increases in corporate profits. We are robbing the poor to pay the rich. None of the wonderful ethical frameworks we have developed in our various societies around the world would support such a pattern.

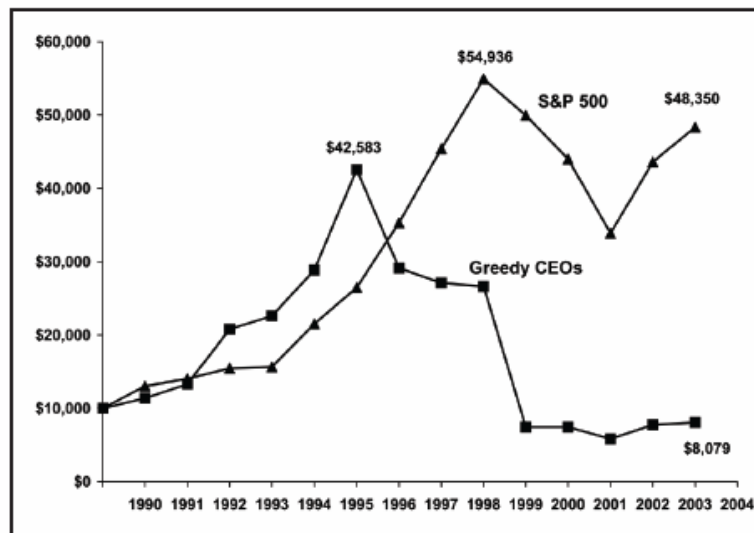
Figure 4: Cumulative Percent Change in Economic Indicators, 1990-2004 (in 2004 dollars)



Source: Total executive compensation: Business Week annual compensation survey, various issues, 1991-2005. Includes: salary, bonus, restricted stock, payouts on other long-term incentives, and the value of options exercised. Note: 2004 total compensation figure calculated by the authors based on data in Business Week survey; S&P 500 Index: Economic Report of the President, 2005 Table B-96; 1997, 2000 Table B-93; average of daily closing index; Corporate Profits: BEA, NIPA, Table 6.16, with inventory valuation and capital consumption adjustments; Average worker pay: BLS, Employment, Hours, and Earnings from the Current Employment Statistics Survey, Table B-2; Minimum wage: Lowest mandated federal minimum wage, nominal; US Dept. of Labor, Employment Standards Administration, Wage and Hour Division; Adjustment for inflation: BLS, Average Annual CPI-U, all urban consumers, all items.

Some might say that CEOs have earned their disproportionate pay increases based on their performance. The following figure shows this to be untrue. It contrasts the subsequent performance of an investment of \$10,000 first made in 1990, either in the S&P 500 or invested each year in the stock of the organization with the highest paid CEO. While the investment in the S&P 500 multiplies by almost a factor of 5 between 1990 and 2004, an identical investment made sequentially in the organizations headed by the greediest CEOs each year actually loses value over the same time period.

Figure 7: Greedy CEO Portfolio versus S&P 500 Portfolio, 1990-2004



So these CEOs are taking from their organizations to the detriment of employees, stockholders and communities. We need to respond by learning about behavior in organizations to which we are linked and then act accordingly. For those

organizations that fail to deal equitably with all of their constituencies we have an opportunity to require change or leave, whether as employees, managers, shareholders or customers. We also have an opportunity to support those organizations such as Costco, whose CEO, Jim Sinegal said recently (June 17, 2005 New York Times) “Having an individual who is making 100 or 200 or 300 times more than the average person working on the floor is wrong” and who practices these principles.

(Source of Figures 3-7: “Executive Excess 2005”, August 30, 2005, Sarah Anderson and John Cavanagh, Institute for Policy Studies and Scott Klinger and Liz Stanton, United for a Fair Economy.

http://www.faireconomy.org/press/2005/EE2005_pr.html)

Quote

“Making love, of course, is already a prayer.
Skin and open mouths worshipping that skin,
the fragile case we are poured into,
each caress a season of peace ...
With each breath in, take in the faith of those
who have believed when belief seemed foolish,
who persevered. With each breath out, cherish.”

Ellen Bass, Pray for Peace, Quoted from the Chapter Everyday Grace in The Impossible Will Take a Little While. Edited by Paul Rogat Loeb. 2004.

Upcoming Elsdon Organizational Renewal (EOR) Events and Recent Mentions

Upcoming Events

- “Career Shifting for Engineers” workshops for U.C. Berkeley, Haas School of Business, Berkeley
 - October 31, November 7, 2005
- “Research in Career Development” course for MA in Career Development, John F. Kennedy University, Pleasant Hill
 - October, November, 2005
- “Career Fitness in Turbulent Times” breakout session for John F. Kennedy University Alumni Day, Pleasant Hill
 - November 13, 2005
- “Career Transitions” workshop for Experience Unlimited, San Francisco
 - November 17, 2005
- Workshops for the UC Berkeley/Columbia University MBA program on “Progressing in Your Organization”, “Negotiating Entry” and “Accelerating

to Opportunities”, Berkeley

- November 12, 18 and December 8, 2005

Recent Mentions

- Reviews of “Affiliation in the Workplace: Value Creation in the New Organization.” Ron Elsdon. Praeger Publishers, Westport, CT (2003)
 - Harvard Business School
 - [HBS Working Knowledge: Organizations](#)
 - Global Diversity Institute
 - [Global Diversity Institute - The Journal of Diversity Praxis](#)
 - Journal of Asian Economics
 - [ScienceDirect - Journal of Asian Economics : Ron Elsdon, Affiliation in the Workplace: Value Creation in the New Organization, Praeger Publishers, Westport, CT \(2003\) 280 pp. \(hardcover\), ISBN 1-56720-436-8, \\$49.95.](#)
- “Building a Strong Workforce Through Affiliation.” Chapter 26 in “On Staffing: Advice and Perspectives from HR Leaders.” Eds. Nicholas Burkholder et al, John Wiley & Sons, Inc., Hoboken NJ (2004)
 - <http://www.wiley.com/WileyCDA/WileyTitle/productCd-0471410691,descCd-tableOfContents.html>
- The Alliance of Chief Executives
 - [Alliance of CEOs - Ron Elsdon](#)
- “Integrating Into Your New Position.”
 - Article in September 1, 2005 issue of Career Tips and Tactics from executiveagent.com
 - [Executive Career Strategies at ExecutiveAgent.com](#)
- “Reaching for Our Deep Gladness”
 - Article in May, 2005 NCDA Career Convergence Magazine
 - <http://209.235.208.145/cgi-bin/WebSuite/tcsAssnWebSuite.pl?Action=DisplayNewsDetails&RecordID=625&Sections=6&IncludeDropped=&AssnID=NCDA&DBCCode=130285>
- Review of MBTI Step II workshop
 - CCDA News, April 2005
 - [California Career Development Association - Articles](#)
- Recent mention in article on cost of turnover
 - East Bay Business Times, April 2005
 - [Turnover costs exceed employers' estimates - 2005-04-25](#)
- “Worklife Survival: Finding a Fit”

- Article for HR West, February 2005 (Northern California Human Resource Association)
 - <http://www.nchra.org/StaticContent/Download/EXT0205007.pdf>
- Recent interview in the education field “Affiliation as a Unifying Principle in Education”
 - Career Pro News
 - [Affiliation and Education](#)
- Review of ICDC Global Issues Forum
 - CCDA, January 2005
 - [California Career Development Association - Articles](#)

About EOR: Our Value Contribution

We enhance your workforce, leadership and organization by:

- Using proprietary approaches to understand workforce and leadership challenges
- Creating tailored action plans and solutions to strengthen workforce and leadership practices
- Building individual capabilities and contributions

We enable you to focus on external results and building value, confident that your organization and leadership are operating at peak effectiveness.

Our Mission

To support your organization by enhancing performance, productivity and effectiveness through revitalized workforce relationships and leadership practices.

Our Approach and Values

We tailor our engagements to the needs of each organization with a process designed to surface critical issues, identify root causes, build effective solutions, monitor progress and implement.

With a scope that ranges from system and organizational interventions to work with individuals, our focus is on the heart of the relationship among the individual, the organization and the community. We believe that organizational and community prosperity are built on enabling each person to fulfill his or her potential.

Our Services

We work with individuals and groups in your organization to drive performance and


development for both the short and long term. As a result people will choose to work in your organization and will prosper there.

We bring solutions when you need to:

- Reverse declining revenues and performance
- Revitalize your workforce
- Stem the loss of key talent
- Redirect your organization to new areas
- Stop losing customers or market share
- Penetrate new markets
- Combat aggressive competitors
- Handle major change
- Energize your leadership team
- Successfully build on an acquisition or merger

Our proprietary services include:

- State-of-the-art tools to take the pulse of your organization and then move to action
 - Web enabled systems
 - Experts to gather and analyze information, moving your organization to action
- Individual leadership coaching to give you world class leadership capabilities
 - Leaders who know themselves and their aspirations, build their capabilities and become catalysts developing others
- Workshops to build interpersonal skills in your organization so that:
 - Communication is timely, concise, accurate and personal
 - People listen to each other
 - Negotiations are quick and effective
 - Differences create rather than destroy value
 - Teams move forward, get results and quickly commercialize new products and services
 - People understand and link their motivations to your organizational needs
 - Your teams understand what it takes to create a committed, energized workforce
 - People use their time well
- Systems that make it easy to drive performance and build capabilities by:

- 
- Linking objectives throughout the organization
 - Strengthening key competencies
 - Making sure you have the bench strength where and when you need it
 - Giving people tools to take charge of their own careers and development and have a major long term influence on your organization
 - Proprietary simulation and modeling techniques that let you explore how to maximize the value of your workforce
 - Move from guessing what might happen to looking in depth at the financial impact of different approaches