

*In many companies, the loss of job security has become an "undiscussable"  
—prolonging the confusion and period of mourning. Here's how we can  
speed an adjustment to a new meaning of career.*

# ***The New Protean Career Contract: Helping Organizations and Employees Adapt***

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*We're brutalizing the workforce right now during this transitional period. If we're going to get what we need, the brutalization has to stop.*

—James Champy, co-author of  
*Reengineering the Corporation*, in  
The Wall Street Journal, January 17, 1995.

The headlines scream from the covers of our major publications: "What ever happened to the great American job?", "The pain of downsizing," "Downsizing government," "The end of jobs."

The message is relentless: The deal has changed. The career contract is dead. Organizations are in constant flux. The job is a thing of the past. America's largest employer is now a temporary agency, Manpower, Inc. All bets are off. Even the champion of reengineering, James Champy, sees the corrosive effect of restructuring on employee commitment.

It's clear that organizational transformation is taking place on a global scale. To be competitive, firms have to be smaller, smarter, and swifter in their response to changing market conditions. And it's clear that the workplace has been similarly transformed for everyone. Employees must be equally flexible and adaptive.

It's unclear, however, just how an organization and its employees can adapt in a satisfying and productive way to these new dynamics. We will address this question by sharing the "observations from the trenches" of 49 people we interviewed about changes in what can be called the "psychological contract" in their organizations. To gain a more balanced picture, we interviewed individuals in organizations selected to represent a range of adjustment periods, i.e., length of time elapsed since a major business crisis or environmental shock to the present. AT&T, for example, had navigated through divestitures in 1984 and again in the mid-1990s, and we wanted to see how that organization had adjusted to its new competitive situation. Other firms, such as IBM and Apple Computer, hit their crises much later, and we wanted to see what the differences were in the state of the psychological contract there, compared with the earlier-crisis firms.

## **THE NATURE OF A PSYCHOLOGICAL CONTRACT**

The idea of the psychological contract gained currency in the early 1960s when writers such

as Chris Argyris, Harry Levinson, and Edgar Schein used the term to describe the employer-employee relationship. Schein saw the contract as the foundation for the employment arrangement, in that the continuation of the relationship (including the employee's contributions to the company and subsequent rewards) depended on the degree to which mutual expectations were met. Around the same time, David E. Berlew and Douglas Hall, in a longitudinal study conducted at AT&T, found that if, in a given year, the contract was not met for either party, the employee was likely to leave the organization in the following year.

Later, Ian MacNeil discussed two forms of what he called the "social contract." The first, which he called *relational*, was based on assumptions of a long-term, mutually satisfying relationship. In contrast, the *transactional* contract was based on a shorter term exchange of benefits and contributions. Although MacNeil's discussion focused on the role of an individual in a larger society, his concepts seem applicable to organizations as well.

In fact, his distinction proved useful in analyzing our interview data. The participants frequently mentioned the relational aspects of the old contract, often using the metaphor of the family—representing perhaps the ultimate unconditional relationship. At Hewlett-Packard, one manager reported that a variety of "parental" benefits (lifetime employment, generous pension plans) led to a high level of financial security: "A trust was built, leading to employees' not thinking much about change or the future."

Identification with the organization formed another aspect of the relational contract. This was expressed as a sense of pride in being associated with the company, a feeling often confirmed by the reactions of other people. Kevin Parker (a pseudonym, like all other names used here), formerly in charge of management development at Digital Equipment Corporation, used what he called the "cocktail party test" to monitor the status of the contract. "The cocktail party test told all," he explained. "If you said you worked

for Digital, and the response was, 'Gee, isn't that great,' then the contract was doing well. Later, as the contract began to change under crisis, responses were more varied."

### But Was It All Just a Myth?

If we pause and take a deeper look at what the old contract was and where it existed, a different picture emerges. We would argue that to a great extent the old contract was a myth. The long-term, relationship-based employment we have just described was not the norm in United States business organizations. Nor, we suspect, was it common in other countries. In much the same way as employment security in Japan has existed only in certain large corporations during the post-World War II period, this old contract was operative in only those U.S. organizations with strong internal labor markets and human resource policies favoring long-term employment security.

However, it was precisely these large firms that, through their prominence and visibility, seemed to symbolize U.S. business, thus giving the appearance that their mode of managing people was the norm. The companies with these long-term career cultures, such as AT&T, IBM, Sears, Exxon, Digital Equipment Corporation, Polaroid, and Procter & Gamble, were hugely successful firms that tended to be relatively stable during fluctuations in the economic cycle. Many other equally successful companies, such as General Motors or General Electric, were more strongly affected by swings in the economy, so that periodic layoffs were understood to be part of doing business. And of course, smaller firms had even less of the financial resource base that would permit them to carry employees through an economic downturn.

While no precise figures exist on the number of firms or employees that operated under the so-called "old contract," we would estimate that in 1975—to pick a year well in advance of the turbulent 1980s—fewer than 5 percent of Americans worked under any implicit agreement regarding long-term security.



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His research and consulting activities have dealt with career development, women's careers, career plateauing, work/family balance, and executive succession. He has served as a consultant to organizations such as Sears, AT&T, American Hospital Supply, General Electric, Borg-Warner, Price Waterhouse, Monsanto, Honeywell, Ford Motor Company, Eli Lilly, and the World Bank.

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Let us explain how we arrived at this estimate. Only about 50 generally larger companies, such as AT&T, IBM, and Procter & Gamble, had full-employment practices that guaranteed workers a certain number of paid weeks each year. (Our colleague, Fred Foulkes, identified 30 such firms in an earlier study, and we are assuming there were others that were simply less visible.) Consider that the total employment of the *Fortune* 500 in 1975 represented only about 17 percent of the total U. S. workforce. So, even if these 50 full-employment firms represented as much as 20 percent of the total workforce of the *Fortune* 500, it would mean that only 3.4 percent of the U.S. workforce had lifetime employment guarantees. (And, in fact, these were never stated as "guarantees" or "policies." They were referred to by ambiguous, nonbinding terms like "traditions," "practices," "philosophies," or "intentions.")

Thus, despite current analyses that tout the "old contract" as part of the work arrangements for the U.S. workforce overall, only those privileged workers in the "Fortunate 50" experienced the kind of employment security implied by the contract. And, even in these firms, it was rarely stated as a guarantee.

## THE NATURE OF THE NEW CONTRACT

Denise Rousseau, in her book, *Psychological Contracts in Organizations: Written and Unwritten Agreements*, explores MacNeil's theory in order to examine contemporary changes in the psychological employment contract. She argues that employment contracts have moved in recent years from a longer term relational basis to a shorter term transactional one. As we heard in our interviews, some employees react by wanting the transaction to be a more explicit contract now, in contrast to the more implicit old contract. As Sarah Lorey, vice president, Boston University Medical Center (now part of the merged entity known as Boston Medical Center), put it: "People are literally looking for a contract. They want to

know what they will be doing for the next 12 months. They would like to know a little bit about what to expect.”

Another way to frame this career contract change, from the perspective of the individual, is to say that we are seeing a shift from the organizational career to what can be called the “protean career.” The characteristics of this career can be described as follows:

The protean career is a process which the person, not the organization, is managing. It consists of all of the person’s varied experiences in education, training, work in several organizations, changes in occupational field, etc. The protean person’s own personal career choices and search for self-fulfillment are the unifying or integrative elements in his or her life. The criterion of success is internal (psychological success), not external.

Exhibit 1 summarizes the terms of the new contract based on the protean career and raises a number of issues we will discuss throughout this article.

If the old contract was with the organization, the protean contract is with the self and one’s work. Evidence of this shift comes from various sources. In a study comparing data collected in 1978 with similar data from 1989, Linda Stroh and her colleagues found that satisfaction with the company decreased from 1978 to 1989, but job involvement and job satisfaction increased.

In addition, the popular media continue to provide accounts of the new contract that support this move from an organization-focus to a self-focus. A *Fortune* cover story by Kenneth Labich, “Kissing Off Corporate America: Why Big Companies Can’t Hire the Best and the Brightest” (February 20, 1995), cited an Opinion Research Corporation study in which only 1 percent of the 1,000 adult respondents said they would choose to be corporate managers. Far more popular were work opportunities that provided the autonomy of a protean career, such as law and medicine.



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He graduated from Wesleyan University with a B.A. in psychology and sociology and recently completed his M.B.A. with a concentration in healthcare management at Boston University.

Because of his undergraduate interest in the social sciences, he began working with the Executive Development Roundtable at Boston University’s School of Management, an experience that provided background for this article. His predisposition to organizational behavior courses in school and his critical analysis of the state of the psychological contract in organizations led him to seek a career in consulting. This, combined with his study of healthcare management, led to his current role as an organization development facilitator for healthcare organizations undergoing transition.

**EXHIBIT 1**  
THE NEW "PROTEAN" CAREER CONTRACT

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1. The career is managed by the person, not the organization.
  2. The career is a lifelong series of experiences, skills, learnings, transitions, and identity changes. ("Career age" counts, not chronological age.)
  3. Development is
    - continuous learning,
    - self-directed,
    - relational, and
    - found in work challenges.
  4. Development is not (necessarily)
    - formal training,
    - retraining, or
    - upward mobility.
  5. The ingredients for success change
    - from know-how to learn-how,
    - from job security to employability,
    - from organizational careers to protean careers, and
    - from "work self" to "whole self."
  6. The organization provides
    - challenging assignments,
    - developmental relationships,
    - information and other developmental resources.
  7. The goal: psychological success.
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In 1990, a quarter of Columbia University's graduating MBAs went to work for large manufacturers; in 1994 only 13 percent chose this route. Similarly, at Stanford in 1989 almost 70 percent of the MBA class went with bigger companies (e.g., those with over 1,000 employees); only about half did so in 1994. As John Martin, president of the Kellogg Graduate School of Management's 1995 MBA class, put it, "I don't know anyone who wants to be like Jack Welch or Jack Smith."

### **Is There a Role for the Organization in the New Contract?**

If the new contract is with the self and not with the organization, what then is the role of the organization? Unfortunately, many employers are interpreting the new contract to mean that the employee should be completely responsible for his or her career, that the employer bears no responsibility at all. This line of thinking views employees, even core employees, as being in sort of a "free agent" role, similar to contract workers.

Other employers, however, still see a responsibility for providing the resources and opportunities for core employees to grow and develop in their careers. In this group of for-

ward-thinking companies, the employer's responsibility is seen as providing opportunities for continuous learning, which will result in the creation of employability (and thus a degree of security) for the employee. And, at the same time, the organization values the ongoing relationship it has with the employee and takes the long view in its employment practices.

To explore in more depth the role of the organization in the new contract, let's turn to our company interviews and look at how different employers and their employees are dealing with the contract changes.

### **Stages of Adaptation: Three Types of Companies**

As we listened to people talk, we could hear three quite distinct types of company experiences, based on what stage of adaptation the firms and their employees were in. To help explain their experiences, many people used variations of a "wilderness metaphor," i.e., references to getting lost in the woods and finding one's way out.

One type of firm was experiencing current trauma (still "Lost in the Trees"). A second group was either "Out of the Woods" (for

## EXHIBIT 2

### STATUS OF THE PSYCHOLOGICAL CONTRACT IN THREE TYPES OF ORGANIZATIONS

**Current Trauma:  
Lost in the Trees**

Apple Computer  
Digital Equipment Corp.  
Kodak  
Philip Morris  
Texaco  
Nynex

**Trauma Survivors:  
Sees the Forest**

DuPont  
First Chicago  
Ingersoll-Rand  
Reader's Digest  
AT&T  
IBM

**Continuous Learning:  
Comfortable in Woods**

Beth Israel Hospital  
Hannaford Brothers  
Hewlett-Packard  
Polaroid  
Xerox

the time being) or was at least able to "See the Forest for the Trees." Companies and employees in this latter group could see the larger picture and were accepting the new contract.

A third, very intriguing group never experienced one single traumatic event that marked an end of the old contract or the start of a new one. This type of company was characterized by a continuous learning process. To continue the wilderness metaphor, this type of firm learned to adapt to continuously changing terrain and is now "Comfortable in the Forest." (Exhibit 2 shows the three groups of companies.)

#### **Current Trauma: "Lost in the Trees"**

One group of companies is currently undergoing radical instability from economic trauma—their employees cannot yet see the forest (the contract required by the new competitive environment) for the trees (the latest business downturn or layoff announcement). They are still grieving the loss of the old contract.

Comments from Janet Lancaster of Apple Computer typify the "Lost in the Trees" experience.

There was a significant lay-off. There had been other lay-offs but this one hit the hardest. People who were doing a good job were laid off, too. It was a stiff psychological blow. There was a significant impact on people... on loyalty.

Major turmoil for many of these companies (e.g., Digital, Philip Morris, Kodak, Nynex, Apple, Texaco) occurred in the early 1990s. These firms have been working for several years to evolve a different company/employee relationship. Most have not yet totally resolved how the company will survive, but have made distinct strides in the direction of adapting to the new situation.

#### **Living the New Contract: "Sees the Forest"**

For some companies, the people we interviewed described the drastic change as occurring "a long time ago"—they had gained sufficient psychological distance to see the forest from the trees and become clear on the nature of the new contract. In fact, many employees now embrace the new arrangement, with its greater freedom, responsibility, and opportunities for psychological success.

One factor separating the "Lost in the Trees" companies from the "Sees the Forest" group is timing. The peak of the latter group's turmoil often occurred in the early 1980s. Since that time, people in these companies have had about a dozen years to learn about and react to the changes in the environment, and they have implemented a new psychological contract that allows them to stay competitive and adaptable in the new business era.

A manager at Ingersoll-Rand, a company that "hit the wall" in the early 1980s in the wake of the energy crisis and a world-wide

recession, provided a typical description of this experience:

We're trying to accommodate the change in the economy. We like loyalty, though, and don't want to jeopardize the loyal relationships....We went through downsizing in '82-'83 and have returned. We're years ahead of many. Our people are more dedicated and educated than ever before....People wonder about how it felt to go through a period where 20,000 people lost their jobs here, but I look at it differently: we saved the jobs of 35,000 people.

AT&T also experienced the contract change a long time ago (divestiture of the old "Bell System" by Judge Greene on January 1, 1984) and then went through a second divestiture (actually a trivestiture) in the 1990s. Although the stress level is high, employees there seem to have an understanding of the new contract. Other companies that experienced these changes long ago, such as First National Bank of Chicago, DuPont, and Reader's Digest, now appear to be functioning under the new contract.

### **Continuous Learning: "Comfortable in Woods"**

In other companies, the contract changed gradually; employees never felt that the old contract was "broken." Organizations in this group included Hewlett-Packard, Beth Israel Hospital, Hannaford Brothers, Polaroid, and Xerox. Although these firms faced financial difficulties, they were generally successful in staying competitive, in part because of exceptional leadership and high employee involvement. In the process of competitive adaptation, they managed to maintain their core values about people through difficult economic and environmental changes.

We would argue that as organizations learn how to learn, this mode will become more common—as a consequence of a natural selection process. That is, continuous

learners will survive (and some will thrive) while nonlearners and slower learners will not.

Companies in the continuous learning group have a fundamental respect for the individual—both the employee and the customer—and this value provides continuity between the old and new contracts. To illustrate, Helen Johnson of Beth Israel Hospital offered this description of how the changes at her workplace have evolved:

Dr. Rabkin came in as president in 1966. He was keen on the subject of personalized care and established it as a clear philosophy. He felt that the patient and employees are on an equal footing. Both people ought to be treated with respect and dignity by Beth Israel....The underlying commitment to the employee was evident several years ago as the private doctors' cafeteria was discarded back in the 1960s....Even during rapid growth, the diverse workforce was taken into account. The culture and the philosophy of the hospital have a very narrow gap between them.

The case of Beth Israel Hospital also illustrates the emergence of a new form of loyalty in continuous learning firms. Here, respect for the individual manifests itself as loyalty to employees, but not blind loyalty based on length of experience. No employee is guaranteed a job after they have been with the hospital for a certain period of time. It is loyalty based on performance and development, and employee performance is rewarded. (More detail on the continuous learning process at Beth Israel Hospital is provided in the box, page 29.)

This new kind of loyalty is described by Fred Reichheld in his book, *The Loyalty Effect*. As the head of what is called the "loyalty practice" at Bain Consulting, Reichheld finds empirical evidence for the benefits of loyalty based on performance, mutual value added, and satisfaction. Data from Bain's research show that the longer a company's relation-

## CONTINUOUS LEARNING: A VIEW OF BETH ISRAEL HOSPITAL (BOSTON)

Over 30 years ago, Dr. Mitchell Rabkin was hired as the president of Beth Israel Hospital. By most accounts, this change in leadership was a remarkable event in BI's history. One of Dr. Rabkin's first official acts was to shut down the physician dining area. All employees would share a single dining area. This change, among many others, communicated a sense of solidarity, emphasizing the idea that all employees are an integral part of the institution and will make it great or break it together.

This same attitude has pervaded the institution since. Twenty-two years ago, Joyce Clifford was brought in to lead the nurses (one-quarter of the hospital staff) toward a new era. She was instrumental in instituting the concept of primary nursing, a philosophy that brings more decision making and greater accountability to the profession. Her work influenced the national healthcare environment to rethink the entire nursing profession.

In the mid-1980s, BI initiated a plan called PREPARE/21. Modeled after the Scanlon Plan, PREPARE/21 was designed by a committee of 75 staff from throughout the hospital and formalized the mutual commitments between the hospital and its employees.

The PREPARE acronym stands for **P**articipation, **R**esponsibility, **E**ducation, **P**roductivity, **A**ccountability, **R**ecognition, and **E**xcellence in the 21st century. It means that each person is to be held more accountable for the success of the enterprise. We heard staff comments such as, "We are taking advantage of the collective wisdom in the hospital" and "The employees are partners in this." Gainsharing takes place as a result of some of the activities arising from PREPARE.

The advantages of the program are two-fold. First, it is educational, in that it helps employees understand the organization. It keeps them abreast of what is working and what is not. Secondly, it is symbolic. The program supports the message that participation and contribution are highly valued. And the sharing of the financial gains with employees clearly strengthens the collaborative climate.

In the past 20 years, BI has quadrupled the size of its staff and the physical plant has also expanded to a 510-bed facility. BI is a frequent recipient of grants from the National Institutes of Health, a fact that testifies to its status. The facility is viewed as the leader among teaching hospitals and as a healthcare innovator.

Responding to the needs of its highly diverse workforce, BI introduced an array of flexible benefits. These include on-site daycare and a health club, a cafeteria, subsidies for monthly subway passes, flexible work-hours, and earned-time-off (a set number of days-off employees can use for any personal reason, including sick days, holidays, and vacations). The hospital realized that the costs of this flexibility are almost insignificant compared to the value given to the employees. Consequently, BI has been listed among the top ten employers in the U. S. by *Working Mother* and in *Levering and Moskowitz's The 100 Best Companies to Work for in America*.

The healthcare industry is clearly in a state of disarray. Beth Israel Hospital, now going through a major merger, is aware that the relationship they have with their employees is just as important as the one they have with their patients. "We certainly have our challenges before us," said one BI interviewee.

ships are with its employees and customers, the more profitable the firm is. There are several reasons for this. For one, it is much more expensive to attract a new customer, through special discounts, premiums, and extra advertising, than it is to maintain an old customer. (This is why, if you are a magazine subscriber, you get a better deal if you let your subscription expire and then be won back, through lower rates, free issues, special videotapes, and other free gifts.) And similarly, it is more costly to recruit and train new employees than it is to train and develop experienced personnel. And in producing customer satisfaction, much greater value is created by experienced employees than by new employees. The key to the new

loyalty, however, is that it has to be based on high performance and ability to learn continuously.

And in a fascinating discussion, Reichheld also finds financial benefits resulting from stakeholder retention. Companies whose stock is held primarily by "high churn" investors tend to be poorer performers than those companies that are owned by investors who are known for forming partnering relationships with companies in which they invest. These results show, then, that a firm can have an effect on its economic environment by actively cultivating relationships with long-term investors and by not encouraging the high-churn pension fund or mutual fund.

## Recycling

These three contract states are not as clear or as simple as the above description may make them appear. When we went back to some of our original interviewees to ask how these categories fit with their experiences, they pointed out some additional considerations. They stressed, for example, how fluid these categories are. Even though a firm may have survived an earlier trauma and people felt out of the woods for a while, a new force (e.g., a new CEO) could raise the uncertainty level again. Thus, a firm might cycle back through a previous state.

AT&T's experience provides one example of this phenomenon. Employees were thrown back into a state of trauma over the uncertainties of the second divestiture in 1995, and again in 1997 with talk of a merger with SBC, one of the former Baby Bell telephone companies. However, our sense is that when this recycling happens, it tends to happen at a higher level of awareness, with a higher degree of knowing how to learn, and with a somewhat higher level of comfort. Thus, it appears to us that AT&T is now back in the middle stage, "Sees the Forest." In other words, organizations may learn from prior experience, which may make future forays into rough terrain more hopeful.

## Continuous Learning Via Psychological Success

While the continuous learning culture has obvious benefits for the companies in our third group ("Comfortable in Woods"), we might well ask what employees have to gain. Perhaps the most important driver of learning for employees is the fact that the new career contract is not with the organization; it is with the self and one's work. The path to the top has been replaced by what Herb Shepard called the "path with a heart."

Shepard used this term to describe success in terms of one's unique vision and central values in life—in short, what we call psychological success. Shepard also pointed out that the path with a heart encompasses one's

most-loved talents, so that being paid in pursuit of one's work feels not like compensation, but like a gift.

Unfortunately, it is too easy for a person to become successful in an organizational sense and even in a psychological sense (i.e., in terms of job satisfaction) and still lose sight of living out one's most deeply held values. For example, Karen Camp, an account manager with responsibilities that spanned eight states, told us about her experience as an absentee parent. She was on a business trip just after her son Webb's first birthday. She called home—and learned from the sitter that Webb had just taken his first steps. Her reaction: "I realized that his first year had gone by so quickly, I had been like a visitor in his life."

One of the reasons a person loses sight of the path with a heart relates to the internal navigation system. He or she may start off in the right direction and then keep going in the same direction, through thick and thin, even though her or his "internal compass" has changed. Early career and life choices may not necessarily be the best fit for a person in mid-career. As one shocked 42-year-old manager exclaimed in the middle of a self-reflective career planning exercise, "Oh, no! I just realized I let a 20-year-old choose my wife and my career!"

## Career Meta-Competencies: Self-knowledge and Adaptability

Pursuing the protean career, then, entails a high level of self-awareness and personal responsibility. There is both good news and bad news here. Many people cherish the autonomy of the protean career, but many others find this freedom terrifying, experiencing it as a lack of external support. There is a developmental or learning process here, as people need time to adapt to this new freedom. As psychologist Robert Kegan reports in his book, *In Over Our Heads: The Mental Demands of Modern Life*, fewer than half of the adults in his samples had reached the level of psychological development at which they were comfortable operating independently in today's complex organizational environment.

To realize the potential of the new career, the individual must develop new competencies related to the management of self and career. The new career has become a continuous learning process. In particular, the person must learn how to develop self-knowledge (identity awareness) and adaptability. We call these “meta-competencies,” since they are the skills required for learning how to learn. The need for adaptability is perhaps self-evident. It enables the person to be self-correcting in response to new demands from the environment, without waiting for formal training and development from the organization. However, without self-awareness, this adaptability could be a blind, reactive process, and the person could risk changing in ways that are not consistent with his or her own values and goals. Adaptability alone might produce what Chris Argyris calls “Model 1” reactive change, while adaptability plus self-knowledge promotes “Model 2” generative change.

## IMPLICATIONS FOR ORGANIZATIONAL CAREER MANAGEMENT

In the future, the most effective organizations will take a relational approach to the development of employees’ careers and thus promote continuous learning. By this we mean that firms will not “manage” employees’ careers, as they did in the past. Rather, the employer will provide opportunities and resources—particularly people resources—to enable the employee to develop identity and adaptability and thus be in charge of his or her own career. The entrepreneurial coffee company, Starbucks, provides one example of how an organization develops many of these relational ingredients for psychological success. (See the box, page 32.)

Douglas Hall and Associates discuss this relational approach in their book, *The Career is Dead—Long Live the Career: A Relational Approach to Careers*. (The meaning of the title is that the organizational career is dead, while the protean career is thriving.) In this new environment, the major sources of learning

available to the employee will be new work challenges and relationships. The best way to promote adaptability in employees is to provide varied experience through a series of new assignments. A person should not be left to stagnate in one kind of work. (In fact, the good news in today’s turbulent corporate environment is that restructuring has eliminated stagnation!) The cheapest, simplest way to provide continuous stimulation and challenge is to keep moving the person through different assignments that demand different skills. We call this the “Mae West rule”: She was quoted as saying, “When choosing between two evils, I prefer the one I haven’t tried yet.”

Like variety, relationships are also in generous supply in the work environment, and they represent a key source of continuous learning. Co-workers, especially if they come from diverse backgrounds (in terms of race, ethnicity, nationality, age, gender, functional training, education, ability, etc.), represent a variety of skills, attitudes, and world views that can stretch a person, especially an older employee. In team-based systems especially, bosses and subordinates, as well as people from different parts of the organization, provide excellent sources for learning. In quality-oriented organizations, customers provide excellent inputs for learning. And, of course, mentoring, networking, team structures, and coaching are also important in promoting growth.

## TEN STEPS TO MORE RAPID ADAPTATION

One of the most sobering thoughts in our interviews related to adaptation time: it appears that it takes on average about seven years for an organization and its members to arrive at an understanding of the new relationship. This figure seemed to make sense to people in our feedback discussions as they thought back over how long and difficult the change process had been (that is, for those in companies that had reached the “Sees the Forest” stage).

## STARBUCKS: THE NEW LOYALTY

Employees can develop a high degree of loyalty to an organization that is committed to them and with whose purpose they can identify. And these loyal employees will, in turn, produce loyal customers.

Consider the fast-growing Starbucks Coffee organization, run by entrepreneur Howard Schultz, who launched the company in 1987 by purchasing a local Seattle business that sold coffee beans. He envisioned an empire of stores "based on the notion that even though the term 'coffee break' is part of the vernacular, there's traditionally been no place to enjoy one." He sees his coffee houses as "an extension of people's front porch." The firm is now the largest coffee-bar chain in the United States, with a very loyal clientele.

To implement his strategy of having Starbucks stores become "an extension of people's front porch," Schultz takes care of employees first, so that they will in turn take care of customers. "The customer does not come first, the employee does. It's sort of the corporate version of 'I'm O.K., You're O.K.'" Starbucks was the first company in the U. S. to grant full health-care benefits and stock options to its part-time workers (who make up 65 percent of its workforce). As Schultz described his mission, "I always saw myself wanting to be deemed successful and good at the same time.... Service is a lost art in America. I think people want to do a good job, but if they are treated poorly they get beaten down.... We want to provide our people with dignity and self-esteem, and we can't do that with lip service. So we offer tangible benefits. The attrition rate in retail fast food is between 200 and 400 percent a year. At Starbucks, it's 60 percent."

Interviews with the manager and employees at a recently opened store in Cambridge, MA, confirmed that this philosophy is working. Serving coffee can be difficult work, but the workers were clearly satisfied with their positions. With medical benefits and the option of a free pound of coffee every week, the employees feel well compensated. And then there is the issue of upward mobility: The manager of the store had worked for Starbucks for only 10 months and had come aboard with no previous experience in the food service industry. A fairly new employee we talked to was inspired by the manager, commenting, "I hope to be managing my own store in not too many months."

Schultz describes the origin of his management philosophy in very personal terms:

My father didn't finish high school, and what I remember most was the way he was treated in his adult life, which beat him down. He didn't have the self-esteem to feel worthy of a good job. So, I try to give people hope and self-esteem through a company that respects them. Dad never had that opportunity.... Every one of our actions have to be compatible with the quality of our coffee. It never lets you down.

When asked about the secret of his success, Schultz looked a bit embarrassed and reflected, "Maybe I wasn't jaded. I always wanted to do something to make a difference. Maybe people gravitated to that." Starbucks' performance seems to be an example of the notion that in business "you can do well by doing good."

Although it seemed to take about seven years for natural processes to produce an adaptation to the new contract, we would argue that with intervention the process could be accelerated. Consider that, in most firms, the contract changes were "nondiscussable." If there were to be conscious attempts to create dialogue with employees regarding these career contract changes, they could more quickly understand the environmental forces involved and embrace the degree of autonomy and self-responsibility available to them.

What specific actions should an organization or a manager take to facilitate the career development of employees in this new environment? The ten steps summarized in

Exhibit 3 provide one answer to this question. The following discussion examines each step.

**1 Start with the recognition that the individual "owns" the career.** Employers, even if they wanted to, cannot do meaningful planning for an employee's career, not even for managers and key executives. Like other business processes, development now takes place "closer to the customer," in the form of coaching, 360-degree feedback, mentoring, challenging assignments, and other relational activities. Many of these are spontaneous, everyday activities that are better integrated by the employee, through personal reflection and planning, rather than by the organization.

### EXHIBIT 3

#### TEN STEPS TO PROMOTING SUCCESSFUL PROTEAN CAREERS

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1. Start with the recognition that the individual "owns" the career.
  2. Create information and support for the individual's own development efforts.
  3. Recognize that career development is a relational process; the organization and career practitioner play a broker role.
  4. Integrate career information, assessment technology, career coaching, and consulting.
  5. Provide excellent career communication.
  6. Promote work planning; discourage career planning.
  7. Focus on relationships and work challenges for development.
  8. Provide career interventions aimed at work challenge and relationships.
  9. Favor the learner identity over job mastery.
  10. Develop the mind-set of using "natural resources for development."
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## **2 Create information and support for the individual's own efforts at development.**

Although the organization cannot do much directly to develop a person's career, it can provide the necessary empowering resources for career development, the most important of which are information about opportunities throughout the organization and support in obtaining that information and in taking developmental action.

Information technology makes it possible for employees to learn about the strategic direction of the business, about work opportunities in different areas, about specific position openings, and about upcoming training and development programs. Internet career information and self-assessment sites, company web pages, electronic resumes, career software (e.g., Career Architect, CareerSearch, PeopleSoft, SIGI), and the like assist employees in self-assessment and in gathering company opportunity information. Many corporate and university career centers now have rich offerings available online. For example, the Talent Alliance, a multicompany partnership, provides career information on the Internet for companies seeking employees and for individuals seeking employment. More information on the Talent Alliance is provided in the box, page 34.

In addition, there is a vast array of career self-help resources (books, mentoring programs, seminars, etc.). Professional organizations are becoming increasingly active in pro-

viding career services for members. Increasingly, the practice of organizational career development is shifting from being a direct provider to being a career resource and referral agent. Which leads us to our next point.

## **3 Recognize that career development is a relational process in which the organization and career practitioner play a "broker" role.**

Being a career broker can mean many things. It can mean linking people and assignments in a way that gives more importance to developmental benefits. It can mean facilitating mentoring and other developmental relationships. It can mean creating various kinds of dialogue groups for employees to voice career concerns and interests and to share ideas for action. Or it could mean helping work teams and individuals find ways to create settings for reflection and "time out" to work on their own development.

## **4 Provide expertise on career information and assessment technology, integrated with career coaching and consulting.**

In the past, organizations often provided specialized career information and assessment assistance, and often this function was performed by someone other than the human resource generalists who created career development programs. Now, with fewer human resource staff, career practitioners must be both specialists and generalists. This means being certified on the latest assessment and develop-

## THE TALENT ALLIANCE

To illustrate the use of information technology for career growth, consider the Talent Alliance, a U.S. and Internet-based collaborative coalition of companies, industry and trade associations, professional service firms, academic organizations, and government officials whose mission is to establish best-in-class practices for skill development and employability of the American workforce. The founding companies include AT&T, DuPont, GTE, Johnson & Johnson, Lucent Technologies, NCR, TRW, Unisys, and UPS. These firms contribute time, talent, and financial support to the Alliance, which is organized as a membership-based organization. Activities of the Alliance will focus on research, career growth and development, FuturesForum programs, training and education, job/talent matches, industry trends, high-tech careers, displaced employees, and recruitment and academic relationships.

A sample of "Frequently Asked Questions" from the Alliance's web page give an idea of how the Alliance will operate.

### How will the Talent Alliance accomplish its goals?

- FuturesForum will support research conferences and the development of position papers on emerging workforce issues and workplace trends. The Talent Alliance FuturesForum will seek to influence United States workforce and workplace policy, set new industry standards, and provide a forum to

debate alternative scenarios for the workplace of the future.

- Career Growth Centers will provide on-line and on-site career planning tools and professional counseling that provide direction and enhance employability.
- Education and Training programs will enhance skills and employability of member company employees by providing ready access to the best-in-class training and education. Most of these programs will be delivered on-line.
- The Job/Talent Matching System will provide member companies with access to the nation's richest job bank and most qualified talent pool.

### Who is eligible to participate in the Talent Alliance?

Currently, member companies determine eligibility criteria for their employees. In the future, the Talent Alliance plans to provide fee-based services to individuals and unaffiliated member companies.

### Who pays for Talent Alliance services?

At present, member companies pay for services.

### How can interested companies or individuals join?

Two ways: by accessing the How To Participate section on the Talent Alliance Web Site (<http://www.talentalliance.org>) or by calling 1-888-WorkWays.

ment instruments, becoming familiar with the most recent computer software, and knowing how to work with line management to create experience-based career development processes. To accomplish this, personal networking, developing alliances and partnerships, participating regularly in professional conferences, keeping current on the professional literature, and the like are all "must do's."

**5 Provide excellent communication with employees about career services and the new career contract.** All of the above steps are of little value if their existence is not communicated to the employee who is now required to be more proactive and autonomous. Career professionals, both internal and independent, now publish career newsletters. Company web pages are an excellent vehicle for com-

municating career resources to employees. And external communication (e.g., through the careers column in *The Wall Street Journal*) can also be an excellent way to communicate with your own employees.

**6 Promote work planning, not career planning.** The key task for the individual in a complex, changing environment is finding a good fit with work that is needed in the world. This means that employees should be encouraged to think in terms of areas of work and projects that they would like to pursue over a time period of, say, three to five years. This is not as easy as it sounds. It means providing resources to help employees assess their own identities and values so they can be clear on their own sense of direction, to pursue their own "path with a heart."

And it means being organizationally flexible to enable employees to make changes in their work activities based on their personal interests.

**7 Promote learning through relationships and work.** The silver lining in the world of corporate turbulence is that the two key resources for learning—relationships and challenging work—are widely available. In the restructured firm, the jobs for the people who remain are more challenging and more team based than were the jobs in the old organization. Successful organizations are becoming learning organizations by encouraging employees to help each other learn the new skills and competencies needed in these more demanding jobs. Although some of this learning comes from formal training programs, we would argue that most real training comes from peer-assisted, self-directed learning through such vehicles as project teams, task forces, electronic communication, personal networks, support groups, customer relationships, and boss or subordinate relationships.

**8 Provide career-enhancing work and relational interventions.** To truly help people learn through relationships and work, managers and career practitioners must be able to influence the kind of work they do and the kinds of people they encounter. This means playing an active role in organizational practices, such as how job and other work assignments (task forces, projects) are made.

**9 Favor the “learner identity” over job mastery.** If major sources of career learning are challenging work and helpful co-workers, this implies that continuous learning should be promoted by continuous mobility. The criterion of success in a selection decision should not be limited to mastery of a position; rather, success should be defined as the person’s ability to move easily from job to job. We need to promote a culture in which it is just as highly valued to be a learner as to be a peak performer. After all, it is good learners who provide an organization with that ultimate competitive advantage: flexibility.

**10 Develop the mind-set of using “natural resources for development.”** Organizations today are seeing that several naturally occurring resources use the everyday work environment as a development tool. The role of the organization, manager, and career practitioner is to help the individual recognize such resources and to find ways to utilize them. Elements in the natural work environment that can be used to aid career development include assignments (jobs, teams, task forces, committees); feedback (360-degree performance review); developmental relationships (such as mentoring); and coaching (skill-building, not just remedial). Increasingly, it will be the manager’s responsibility to manage the work environment not only to maximize effective performance but also to promote continuous learning and development.

## CONCLUSION

This, then, is the new protean career contract in practice. Instead of mourning the passing of the old contract, many firms are now in the implementation period of the new contract. For firms that have made this transition from mourning the old to practicing the new, the old contract looks like paternalism, and the new one is described with words that emphasize growth, responsibility, empowerment, performance, and hard work. Reaching the point where the new contract is “on stream” is a difficult developmental process for employee and employer alike. It takes on the order of seven years.

Those organizations that have had the most success with the new contract are those that have consciously confronted its existence. They have made explicit efforts to identify the new contract. And they have clearly communicated their central business purpose, strategy, and values, from which they have derived clear management development philosophies. In organizations as diverse as Beth Israel Hospital and Starbucks, employees know what the mission of the organization is and how they fit into the

larger enterprise. And they derive personal identity and pride from working toward a "good" purpose.

It is also becoming clear that consciously attending to issues of diversity in career and management development provides the organization with a clear competitive advantage in responding to new, diverse markets and rapidly changing technologies. The more diverse and complex the workforce, and the more effective the firm is in utilizing and providing career learning opportunities for all members of that workforce, the more successful it will be in meeting the demands of a complex and turbulent environment.

Finally, organizations that have succeeded in creating a new contract for the new business environment have recognized that the career of the future is a continuous learning process. And continuously-learning employees are what the organization needs to be a continuously-improving business.

As James Champy, the "father of reengineering" points out, the success of restructuring depends on the firm's success in developing and enabling its employees. One final anecdote suggests how this activity can strengthen a company and benefit all stakeholders. After hearing Starbucks President Howard Shultz speak in 1991, Terry Diamond of Talon Asset Management, an investment

company, decided to buy Starbucks stock if the company ever went public. "Shultz didn't even mention one financial number. Instead, he talked about how all employees, even temporary employees, got health insurance," recalls Diamond. "After the conference, I walked up to him and told him how much he had impressed me." In July 1997, the stock was selling in the mid \$30 range, vs. 8 1/2, adjusted for a 2-for-1 split, when it went public in June 1992. Diamond compared the relationship between a firm's top management and its employees to a marriage: "You get out of it what you put into it. If [a leader] cares about his employees, he also cares about customers."

In those organizations where it has worked the best, the new career contract does not represent a discontinuous corporate trauma. Rather, it is simply an intelligent response to a turbulent and unforgiving economic environment. In this environment, "success" comes disguised as an ongoing and difficult struggle, but one with a clear sense of values and vision, an appreciation of the crucial role of employees in achieving that vision, and a lifelong process of continuous learning.



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