

Executive strategies

Maximizing Human Capital Assets through generational competence™



changing the world of work

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The descriptions of the four generations on page five are drawn from the article *Age Differences, Work Differences: Understanding Older and Younger Coworkers*, developed by Ceridian with funding from the IBM Global Work/Life Fund.

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Overview

Human capital management is receiving increasing attention as a critical element in the strategic plans at many organizations. Today an organization must acquire, deploy, develop and retain its workforce in an environment of intense competition for talented employees. In fact, as the economy improves in industrialized countries, many experts predict labor shortages. These will be caused, in part, by the aging of an unprecedented population bubble: the baby boomers, born in the years after the end of World War II, who have made up the largest slice of the labor force for the last thirty years.

That demographic shift, combined with dramatic changes in organizational structures, information flow and career paths, has pushed workers of different ages into roles of close collaboration and, in many cases, turned aged-based hierarchies on their heads. These changes have also created new diversity challenges. Research indicates that generational differences determine many employees' values and needs, in much the same way that cultural differences do. A better understanding of generational beliefs and preferences, differences and needs, can help build synergy among the generations and turn potential conflicts into sources of strength, with improvements in productivity, product marketing and organizational effectiveness. This generational awareness may be a key element in organizations' talent management strategy in the years ahead.

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Companies today face what may be one of the greatest labor shortages in history. Lower birth rates in industrialized countries over the past four decades have resulted in a "baby bust." As older workers retire in the years ahead, the number of younger workers will be inadequate to fill the gap. Combined with increases in longevity, predictions are for "top heavy" societies in many countries, with shrinking ratios of working to nonworking populations. Consequences of the aging workforce are predicted to be greatest in Japan and the European Union, followed by the U.S. and Canada. The Society for Human Resource Management (SHRM) *2004-2005 Workforce Forecast* estimates that in the U. S. about 22 million new wage and salary jobs will be created in the next decade, while just 17 million people will be entering the workforce (through a combination of immigration and children reaching working age).

In an improving economy, employees will begin to look for new employment opportunities. Thirty-eight percent of the HR professionals surveyed by SHRM said they noticed an increase in turnover since the beginning of 2004. Hiring managers are concerned that voluntary turnover will increase in 2005 and 2006. The *2004 U.S. Job*

Recovery and Retention Survey released in November 2004 by SHRM and CareerJournal.com found that 75 percent of all employees were looking for new jobs. Some industries have already begun to reinstate signing bonuses.

With the demise of the employer-employee compact and its promise of long-term job security over the last two decades, employees have learned to focus on “self-security” and to act more as free agents. The old compact has been replaced by the “individual deal” — and employees of different generations tend to want different deals, in keeping with their values and their needs at a given stage in life. This shift has implications for HR professionals in many areas, from benefits design to workforce development.

Awareness of generational needs and preferences can be applied both to an enterprise’s talent management and product marketing strategies, and the opportunities for synergy between the two are many. Organizations can use generational understanding acquired in workforce management to identify new markets for current products, develop new products and services, and make improvements in operational effectiveness and customer responsiveness. Conversely, intelligence gained in studying the market needs of the different generations can be applied in an organization’s human capital management strategy. And the hiring, retention and engagement of the most talented employees across generations can only result in gains as organizations strive to improve product marketing and customer service to a diverse population of customers.

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To maintain a competitive edge and maximize talent management, organizations must make generational competence part of their human capital strategy. This executive briefing outlines emerging trends in multigenerational workplaces, highlights challenges and opportunities that affect management and describes a strategic direction and set of solutions to capitalize on generational differences, an emerging reality in 21st-century organizations.

The new multigenerational workforce

Workers of different generations come to work with different values, attitudes toward work, work styles, job satisfaction criteria, learning styles and levels of commitment.

Organizations throughout the developed world are in the midst of a significant demographic change — the aging of their workforces. This creates two challenges for employers: first, how to attract and retain the talent needed for the enterprises' success and, second, how to maximize the productivity of an age-diverse workforce. Workers of different generations come to work with different values, attitudes toward work, work styles, job satisfaction criteria, learning styles and levels of commitment. Whether an organization wants to retain mature workers by making work an attractive alternative to retirement or bring in and develop younger talent as older workers exit the labor force, or both, generational understanding can be critical to the execution of a talent management strategy.

Workforce diversity

Workforce diversity is not a new topic. Employers have made great progress in recognizing and embracing differences. Until recently, however, age has rarely been part of the diversity agenda.

Organizations in many sectors of the economy — including pharmaceuticals, health care, education and government — are already faced with the challenges and opportunities of a multigenerational workforce. For the first time in history, many organizations have workforces that comprise four distinct generations:

- Matures — born between 1927 and 1945 (10 percent of the U.S. labor force)
- Baby boomers — born between 1946 and 1964 (46 percent of the U.S. labor force)
- Generation X — born between 1965 and 1977 (29 percent of the U.S. labor force)
- Generation Y — born between 1978 and 2005 (15 percent of the U.S. labor force)

To maximize innovation, creativity and productivity and to manage talent in the 21st century, it will be important to understand the generations and bridge generational divides. The challenges for employers are many. How do managers motivate employees of different generations? What will attract and keep workers of different ages? How must rewards and benefits be tailored for people at each life stage? How will each generation get the training it needs to help the organization remain competitive? How can an organization maximize the value of its age diversity?

Four generations at work:

Matures

born 1927-1945, ages 60-78

10 percent of U.S. workforce

Baby boomers

born 1946-1964, ages 41-59

46 percent of U.S. workforce

Generation X

born 1965-77, ages 28-40

29 percent of U.S. workforce

Generation Y

born after 1978

ages 27 and younger

15 percent of U.S. workforce

Generational differences

Members of each generation bring distinct sets of values, attitudes and behaviors to the workplace, largely as a result of the era in which they grew up.

- *Matures*, ages 60-78, make up about 10 percent of the U.S. workforce. They grew up in tough economic times during and following the Great Depression and World War II. Matures tend to value hard work, have respect for authority and believe in “duty before pleasure.” They are dedicated, and not just to doing a good job or making themselves look good, but to helping the organization succeed and getting customers what they need. They are great team players, carry their weight, and don’t let others down. Matures tend to draw a clear line between work and the rest of life, and their approach to retirement tends to be to leave work behind and seek happiness in leisure activities.
- *Baby boomers*, ages 41-59, make up almost half the U.S. workforce. They grew up during an era of economic prosperity and experienced the tumult of the 1960s at an impressionable age. Baby boomers tend to be optimistic, idealistic and good team players. They are driven, love challenge and want to be stars and build stellar careers. Many baby boomers are workaholics. Because they have had to compete with each other at every step of their careers, they can be highly competitive. They may make their biggest break with their parents’ generation in their approach to retirement: fully 80 percent of baby boomers plan to continue working after age 65, but many intend to find work that is “more meaningful.”
- *Generation X*, ages 28-40, makes up just 29 percent of the workforce. Their numbers aren’t sufficient to fill the gaps that will be left in the workforce when baby boomers retire or scale back. Gen X witnessed their parents’ experiences with corporate downsizing and restructuring in the 1970s and 80s, and many experienced economic downturns firsthand as they entered the workforce or tried to settle into their first jobs. Raised in an era of two-earner households and rising divorce rates, many of them got a child’s-eye view of work-centric parenting. They value flexibility, work-life balance and autonomy on the job, and appreciate a fun, informal work environment. They are constantly assessing how their careers are progressing, and place a premium on learning opportunities. They are technologically savvy, eager to learn new skills and comfortable with change at work. They appreciate frequent and honest feedback from their managers and mentors, and want to know how they are doing so they can improve themselves.
- *Generation Y*, ages 27 and younger, makes up just 15 percent of the U.S. workforce. Over the next two decades that percentage will grow to approach that of the baby boom in its prime. Gen Y tends to be well organized, confident, resilient and achievement oriented. They are excellent team players, like collaboration and use sophisticated technology with ease. They are comfortable with and respectful of authority and relate well to people who are older. More than any generation that has come before, they are comfortable with diversity. They want to work in an environment where differences are respected and valued, where people are judged by their contributions and where talent is what matters.

These differences in attitudes, values, work styles and expectations can open doors to new insights, ideas and innovation. They can also cause miscommunication and misunderstandings, impact productivity and dampen the effective teamwork and collaboration so critical to organizational effectiveness.

Forty percent of human resource professionals are aware of some inter-generational conflict at their organizations.

Generational conflict

A 2004 SHRM study on generational differences found that 40 percent of HR professionals were aware of some intergenerational conflict among employees at their organizations. Areas of conflict included:

- Work hours — what is expected and what is acceptable. (This was the most common point of conflict reported.)
- Work ethics — what a real day of work is or willingness to expend extra effort to get the job done.
- Organizational hierarchy — challenging or questioning someone from an older generation.
- Technology issues — ever-increasing volume and speed of change.
- Dealing with change — change management skills vary by generation.
- Beliefs about other generations' lack of respect.

Workers from large organizations were much more likely to report intergenerational conflict than were those in small organizations.

This research indicated that tensions brought about by generational differences in the workplace may increase in the future. A specific situation singled out as problematic is where an older person reports to a younger worker, an arrangement that is likely to become more common as the workforce ages. Some organizations are managing this conflict by training managers. Many organizations, however, are doing nothing.

Advancement and succession planning

Younger workers tend to be more interested in moving into jobs with more responsibility than are older workers. The Families and Work Institute's *National Study of the Changing Workforce*, analyzed and summarized in the report, *Generation & Gender in the Workplace*, found that, among college-educated employees in 2002, 64 percent of Gen Y and 58 percent of Gen X had a desire to move to jobs with more responsibility, compared with just 34 percent of baby boomers. This makes logical sense, as younger workers are still in the early stages of their careers and intend to move up, while older workers may already have reached positions in which they are comfortable or have begun to think about downshifting for more work-life balance.

But that age-related interest in advancement masks a very important trend: employees of all ages are taking an increasingly cautious approach to career advancement. The same study found a dramatic drop over time in the career ambitions of college-educated employees. In 1992, 68 percent of men and 57 percent of women in this group were interested in advancement. In 2002, the figures had dropped to 52 percent of men and 36 percent of women — declines of 16 and 21 percentage points.

Comparing the desire to advance between 1992 and 2002 by age group (regardless of education level) shows that the decline is also tied to age, with the greatest declines among younger workers.

Respondents who desire to advance to jobs with more responsibility	1992		2002		Change 1992-2002
	1992	2002	1992	2002	
Ages 38-57 (Baby boomers in 2002)	41%	31%	31%	31%	-10%
Ages 23-37 (Generation X in 2002)	68%	54%	54%	54%	-14%
Ages 23 and younger (Generation Y in 2002)	78%	60%	60%	60%	-18%

The decline in desire to advance to jobs with more responsibility between 1992 and 2002 is greatest among college-educated women of all ages (down 21 percentage points) and younger workers of both genders (down 18 percentage points). In 2002, 80 percent of college-educated employees of all ages reported a desire to work fewer hours than they currently work. (Families and Work Institute)

So this decline in desire to advance to jobs with more responsibility between 1992 and 2002 is greatest among college-educated women of all ages (down 21 percentage points) and younger workers of both genders (down 18 percentage points). The downward shift appears to be due to a collision between two trends: the growing premium placed on work-life balance among employees, and the steady increase in work-hour expectations by employers. In 2002, 80 percent of college-educated employees of all ages reported a desire to work fewer hours than they currently work.

Several research studies have found that work-life balance is among the most important factors in job satisfaction for younger employees, a priority that can conflict with career ambition where advancement brings with it the expectation of longer work hours and sacrifices in work-life balance. Another trend among younger workers is that both men and women are looking for greater balance in their lives. A 2004 SHRM study found that “whereas for baby boomers and [matures], work-life balance is of much greater relevance to women, among Gen Xers and [Gen Yers], work-life balance is almost equally important to both genders.” That generational difference coincides with a life-stage change among baby boomers: their interest in moving to jobs with more responsibility is dropping as, in midlife, they begin to think about downshifting and retirement, and as they find themselves caring for aging parents.

For different reasons, the two generations that make up the great majority of the workforce — baby boomers (46 percent) and Generation X (29 percent) — appear to be coming into alignment in a common desire for greater work-life balance. Organizations will need to address this challenge as they strive to expand the talent pool for internal promotions and develop long-term leadership pipelines to meet future succession-planning needs. It may be necessary to design higher-level jobs with more flexibility and more realistic demands on executives’ time rather than continuing to expect ever-greater time commitments with each step up an organization’s career ladder.

Opportunities for intergenerational collaboration and synergy

The SHRM research found that the advantages of an intergenerational workforce outweigh the disadvantages. A majority of respondents, 51 percent, reported that workers from different generations work effectively together. Thirty-one percent said that workers from different generations learn from each other. Twenty-seven percent said a variety of generational perspectives actually results in better quality of work. HR professionals' responses to a list of traits also showed a generally positive profile of each generation.

As with other diversity efforts, organizations can realize external as well as internal gains from awareness of generational issues — and leveraging that awareness to make improvements in product development, marketing and customer service. Organizations can gain market intelligence from studying how different generations interact, use products and access services within the enterprise, and they can apply that knowledge to products, services and marketing to external customers. Insights can be applied in the other direction, too. Knowledge gained from marketing to customers of different ages can be used to make organizational changes and improve workforce management practices. Some companies providing investment and financial planning services, for example, are already quite knowledgeable about age and generational differences through their experience in designing and marketing their services. Some of that knowledge might be applicable internally, in the design of benefit and reward programs and in approaches to cross-generational training and teamwork. Gaining the creative engagement of a wider range of workers, and greater collaboration and communication across generations, is likely to lead to improvements and gains in practices throughout the organization.

Drawing on the concept of cultural competence, Ceridian has coined the term “generational competence” to describe the adaptations or competencies organizations must develop today to meet the very diverse needs of four generations in the workforce and the marketplace.

Generational competence — the ability to understand, appreciate and meet the specific needs of different generations — can help an organization maximize the value of its human capital.

As the U.S. becomes more diverse and the marketplace more global, cultural competence plays an increasingly important role, especially in the fields of business, education and health care. Health care organizations seeking accreditation in the U.S. have long been familiar with the concept of, and requirements for, cultural competence. The American Medical Association defines cultural competence as “the knowledge and interpersonal skills that allow providers to understand, appreciate, and work with individuals from cultures other than their own. It involves an awareness and acceptance of cultural differences; self-awareness; knowledge of the patient's culture; and adaptation of skills.”

Generational competence — the ability to understand, appreciate and meet the specific needs of different generations — can help an organization maximize the value of its human capital. By instituting management and business processes, designing benefits and employee effectiveness services, and tailoring talent management strategies to address the needs and earn the engagement of employees of different generations, an organization is taking steps to hire, retain and gain the full contribution of the most talented employees across the generations.

One size fits one

For the employee, generational competence means that an organization responds to each person's unique needs, including those rooted in generational differences. One size no longer fits all. One size fits only one.

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Employees of different generations want different rewards and benefits and have different requirements for work-life balance. In a tight labor market, they will reject uniform benefits and look for choices and opportunities that better meet their individual needs — for money, benefits, opportunity and recognition. For evidence of this, look at the growing number of talented workers who prefer the flexibility and independence of contract work to the “security” of employment by a single organization, and who are willing to forego all of the rewards and incentives that come with that employment.

This trend toward “one size fits one” parallels a trend toward individual responsibility in employee benefits — a trend that includes the shift from defined-benefit pension plans to employee-driven 401(k) retirement plans, toward greater employee responsibility in the choice of health plans and in payment for health care through increases in deductibles and copayments. As organizations push more responsibility and individual choice onto employees, employees are coming to expect more individually appropriate benefits and rewards from employers. The move toward individual-based employee benefits and the new compact rendering all employees as “free agents” has resulted in a new era for benefits — the era of the “individual deal.”

Generational competence and human capital management

How an organization uses generational competence as part of its talent strategy will vary with the enterprise's goals. Businesses in some industries, such as manufacturing and financial services, typically employ all four generations in the workplace. Other businesses, such as new technology start-ups, may rely more heavily on a younger demographic.

Talent management

The Conference Board defines talent as “any individuals who have the capability to make a significant difference to the current and future performance of the company.”

Managing talent today requires finding the right employees, getting them to stay and getting them to act in ways that will accomplish organizational goals. High performers must be retained or they will go to competitors. Better alignment between an employee's contributions to the organization's success and the value of a reward to the employee requires an understanding of the employee's perspective, values and preferences. These preferences and values vary, in part, by age.

Different business units or different functions may have different talent management strategies. One organization may need to develop a young sales force for its particular products and target markets. Another may focus on recruiting and retaining older workers and retirees who prefer part-time work and who are not interested in advancement.

Employee motivation strategies

Generational competence includes detailed knowledge of what makes each generation stay or leave, produce or not. Nowhere is the reality of one size fits one more relevant.

- Mature workers can be motivated by showing respect for their experience and perseverance, asking their opinion on what has worked well and what hasn't worked well in the past, a personal touch such as a handwritten note, a mentoring role — and extra help with technology.
- Baby boomers want recognition from management that their contributions are valued and unique. They want personal approval and expect to be rewarded for their work ethic and long hours. They also value opportunities for mentoring younger workers.
- Generation X employees want fewer rules and red tape and more independence in where and how the work is done. They value a work culture where the importance of work-life balance is recognized and respected. They value a fun, informal work environment. Use of innovative technology as a perk and multiple work assignments are important.
- Generation Y employees, the newest entrants to the labor force, are looking for a work environment where diversity is valued and where talent and achievement are noticed and rewarded. They want opportunities to work as part of a team, to apply new technologies and to learn new skills.

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Management practices

Retention has traditionally been viewed as an HR problem. In fact, HR-driven programs have far less influence than the day-to-day practices of the direct manager or supervisor on whether employees decide to stay or leave. Research indicates that employees leave for reasons an organization can control, even in high-turnover operations like call centers and retail businesses. TalentKeepers, a global employee retention research organization, believes that changing how people are managed can control up to two-thirds of turnover. Employees who know they are valued are more likely to stay with the organization. Training managers to handle generational differences was found by SHRM to be highly successful in 37 percent of cases in which it was used as an intervention for generational conflicts. Managers need to recognize issues and conflicts that are rooted in generational differences, modify strategies and tactics to each generation, and educate others on generational issues to promote teamwork. Organizations need to set goals and hold managers accountable.

Training and development

Generational understanding can help maximize the return on training investments. Few training programs use methods adapted to differences in generational learning styles. Self-paced e-learning may be the preferred medium for a Gen Y or Gen X employee, whereas mature or baby boomer employees may require a classroom setting where they can ask questions as they go along. False stereotypes can also lead to training mistakes and omissions. Older workers are often overlooked for training for new technologies, yet research shows they are willing and able to adopt the latest software and often become skillful users of the newest technologies. And younger workers are often moved into positions of management and supervision without the training necessary to help them make this important transition.

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Talent management strategies in a tightening labor market will also force a renewed focus on training and the development of internal talent. As the baby boom generation begins to retire, current strategies focused on recruitment and retention will no longer be sufficient to fill the growing vacuum in knowledge, experience and seasoned management. Attention will need to be given to purposeful transfer of knowledge and deliberate development of talent. Well managed, this could be an opportunity to match the mentoring needs of older workers with the ongoing learning needs of younger workers. Unmanaged, it could lead to knowledge gaps and drops in organizational effectiveness.

A Lexis-Nexis study found that 67 percent of people learn best by working on a task with a colleague, 22 percent when doing their own research, 10 percent when a colleague explains something personally, and 2 percent from a manual or textbook.

But what will training and lifelong learning mean in tomorrow's organization? And what is the most effective way to ensure the massive transfer of knowledge from the retiring baby boomers to Generations X and Y? Research suggests that the most effective learning occurs when people work together on a task, rather than when they study a manual or take a course. The difference in the effectiveness of different learning methods can be surprising and extreme: a Lexis-Nexis study found that 67 percent of people learn best by working on a task with a colleague, 22 percent when doing their own research, 10 percent when a colleague explains something personally, and two percent from a manual or textbook. In research published by the Center for Creative Leadership,

Christina Douglas asked managers to identify the key events that made a difference in how they manage. Only three percent cited formal training. The greatest number cited business mistakes, change in a project's scope and interactions with others.

When training matters, as it will when organizations compete to fill the gaps left by departing baby boomers, it seems likely that the focus will shift to the important learning that occurs through cross-generational teamwork and mentoring – the learning that happens when people of different ages work closely together. And that learning is likely to be a two-way street, with younger workers “reverse mentoring” older workers as each generation shares the strengths it brings to the workplace. The likelihood of this kind of social learning and two-directional mentoring increases as employees grow to understand and trust each other.

Career paths

Today's flattened organizations and lower levels of employee trust pose difficult challenges to organizations that in the past promised long-term, vertical career paths. Companies need to manage each generation's career expectations. If younger employees want jobs that include continued professional learning and growth, organizations must create strategies that include lateral career moves, stretch assignments and career incentives.

At a time when many baby boomers are considering cutting back on work and stepping off the career ladder because of their age, a growing number of younger workers are choosing to forego promotion opportunities in favor of greater work-life balance.

Even more challenging are changing attitudes toward career advancement. At a time when many baby boomers are considering cutting back on work and stepping off the career ladder because of their stage in life, a Families and Work Institute study cited earlier in this paper finds that a growing number of younger workers are choosing to forego promotion opportunities in favor of greater work-life balance. A key finding in the Conference Board's report on talent management, *Talent Management Value Imperatives*, is that employers need to inform employees of possible career paths and be clear about the options and the value proposition of those choices for the employee and the organization.

Benefits design

As benefits costs and other labor expenses rise, knowing what matters to specific employees is critical to business outcomes. An effective reward and benefit strategy can improve an organization's productivity by boosting the satisfaction, performance and retention of individual employees.

“Targeting specific benefits to the employees who value them is more important than ever,” says Linda Barrington, a labor economist and research director at the Conference Board. Organizations that once embraced a “one size fits all” approach to total rewards must now consider generational differences in employee needs and motivations and find ways to let employees choose between different options. “Rewards” aligned to age — ranging from performance appraisals to specific cash and non-salary-based recognition — can help build employee engagement and better align efforts with the goals of the business.

One third of older workers surveyed by the Conference Board said that “a promotion would likely alter their decision to retire.”

Employee preferences

In a Conference Board survey of older workers planning to retire within five years, one third said that “a promotion would likely alter their decision to retire.” That figure rose to 48 percent for those who said they intended to retire because they didn’t feel respected at work. We have already cited a study by the Families and Work Institute that shows the high premium many Gen X and Gen Y workers of both genders place on work-life balance. The research suggests that specific inducements, such as promotions or greater flexibility in work hours, have better outcomes if targeted to those employees for which they will have the greatest value.

SHRM research indicates that benefits are one of the most important factors determining job satisfaction for all generations. But benefits related to the areas of health, money, career and work-life are viewed quite differently by employees of different generations.

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Health care is the benefit of most importance to all age groups, but different age groups have very different preferences when it comes to the details of the health care package desired. Traditional health care coverage is very important to older workers and long-term care insurance is likely to become more important to them in the future. Younger workers, on the other hand, are more likely to push for portable health insurance and wellness programs.

Work-life balance is among the most important factors in job satisfaction to younger employees of both sexes, according to the Families and Work Institute’s *Generation & Gender in the Workplace*. Work-life balance and flexibility have become more important to younger generations who, brought up in two-earner households and launching careers in an age of ever-increasing work demands, are rejecting the “work centric” style of their parents. The younger generations are more “family centric” or “dual centric” than are baby boomers, according to the study. Comparing the time parents of different ages spend with their young children, the study found that Gen X fathers spend, on

average, a full hour more each day with their young children than do boomer fathers with children of the same age (3.6 hours per day for Gen X fathers, compared to 2.4 hours per day for boomer fathers).

Financial security and planning are fast becoming dominant concerns for workers across industries and across all ages. As U.S. employers move to more individual responsibility for retirement and other benefits, younger generations want better 401(k) education and retirement preparation and as well as financial counseling services. Older workers want help planning for their financial futures, too, as they look ahead to the possibility of a decade (or two or three) of healthy life after age 65. Mature workers increasingly want long-term care insurance and help with elder care.

Reward and benefit strategies will be most successful when they link business strategy with the range of individual employee preferences. And as employee preferences are a moving target, they must be evaluated regularly. Results will likely change as the generational composition of the workforce changes and as the aging process changes personal and family needs. Over the past ten years, for example, employee use of elder care benefits has surpassed the use of child care benefits at some U.S. organizations.

Benefits communication and administration

Benefits communication and administration are critical elements in any benefits strategy. Communication and delivery will be more successful when it factors in the needs and preferences of workers from different generations. The most successful method of addressing generational differences is to communicate benefits information in multiple ways. Different generations have different preferences for communication methods and different comfort levels with technology. A company with younger workers will find a strong, if not exclusive, preference for online information, especially when it is personalized or “pushed” and interactive. Print or mailed information is likely to go directly to the trash can. An older worker may rely more heavily on print — mailed messages, posters or fliers — reinforced with in-person communications. Many companies and human resource outsourcing (HRO) providers are moving to improve the effectiveness of their HR Web sites, making them smarter, faster and more customized, and expect that over time older generations will assimilate to electronic communications.

Sixty-five percent of HR professionals who used multiple means of communication to address generational differences reported it to be “very successful.”

Reward and benefit communication must be part of a strategy that aims to strengthen the connection between the employee and the company and that both builds and clarifies the value proposition for the employee. Good communication builds trust and commitment.

The SHRM *Generational Differences* study found communication through multiple channels to be the most commonly used means of addressing generational differences and needs. It was also one of the most successful, with 65 percent reporting it to be “very successful.” Face-to-face-meetings, email, intranet tools and printed materials all have value. Different vehicles are preferred by different audiences for different kinds of messages. Again, one size does not fit all.

Productivity and engagement

Lower productivity of disengaged workers costs U.S. employers about \$300 million annually. (Gallup)

In today's global economy, maximizing productivity is critical to an organization's competitive advantage and long-term survival. The Gallup organization estimates that lower productivity of disengaged workers costs U.S. employers about \$300 million annually. Future productivity is hard to predict because of the impending retirement of the baby boom generation. Because of anticipated labor shortages and a decrease in the number of productive workers to each non-working retiree, productivity rates will need to increase substantially just to maintain a strong economy.

Key to productivity is the ability to tap the discretionary effort of an organization. Keeping employees of multiple generations interested, challenged and motivated is no small task. Research by the Conference Board indicates that only half of Americans are happy with their jobs — down from 60 percent in 1995. Only 14 percent are “very satisfied.” The largest decline in job satisfaction occurred among workers ages 35-44, the future leaders of most organizations.

A recent survey by Harris Interactive polled 7,718 American workers on their views about employment. The report, *The New Employer/Employee Equation Survey*, found that workers aged 55 and over are more satisfied with their jobs, care more about their organization and its future and are more likely than younger and mid-career workers to be willing to give more effort than expected. These findings suggest two strategies: to nurture younger and mid-career workers to improve levels of job satisfaction and to look more carefully at older workers as a productive asset.

Only half of Americans are happy with their jobs, down from 60 percent in 1995. The largest decline occurred among workers ages 35-44.

Other studies show more similarities than differences when looking at employee engagement across generations. Research by the Gallup Organization finds that “highly dedicated employees are found across the age spectrum.” In Gallup's 2001 survey of U.S. workers, the percentage of employees who “say they are engaged, or deeply involved in their work, varied only slightly by age group: 35 percent of workers ages 18 to 24 are engaged; as are 29 percent ages 25 to 34; 30 percent ages 35 to 49; and 29 percent ages 50 and older.” Getting employees to produce the results to accomplish an organization's goals requires each employee to be engaged. The factors that contribute to employees' “passion” for their jobs vary by generation.

- Opportunity for career development is the single driver of retention that is consistent across all the generations at work, according to a March 2005 Gantz Wiley Research study.
- To boost productivity and engagement among workers under 40, “it may be especially important to provide a clear sense of progress, a feeling that they're still ‘going places,’ ” according to Gallup's survey analysis.
- To boost productivity and engagement among workers over 50, organizations will need to accommodate employees' diverse and changing preferences in work schedules, according to research from a 2004 Harris Interactive poll. Some matures and baby boomers may plan to work full-time, others part-time, and still others to cycle back and forth between working and not working. The researchers concluded that “as the

workforce ages, employers will likely have to accommodate their employees' need to spend more time with family members, many of whom are older." Twice as many employees surveyed were becoming grandparents than having a new child themselves.

Engagement is higher among employees of all ages when they have effective leadership, a motivating manager, productive coworkers and the tools and authority to do their job well. Other strategies related to intergenerational competence can help build employee engagement. These include intergenerational teamwork to facilitate knowledge transfer and mentoring in both directions, the deliberate cultivation of management skills, a flexible approach to benefits, and a generationally aware approach to communications. In a generationally competent organization, employees will feel more valued and involved, and are likely to respond with greater engagement.

Culture and management practices

Programs and policies are only an element in implementing a talent management strategy. The role of the immediate manager or direct supervisor is considered the most influential factor in whether an employee decides to stay or leave an organization. Poor management can also lead to disengaged employees and decreased productivity.

As with any diversity effort or change initiative, the role of the manager is critical to generational competence success. The actions of each manager and supervisor effectively determine the organization's culture and policies as experienced by different employees. Awareness training can help managers (and employees) understand that others view the world through different lenses. It can reduce the risk of mistakenly assigning negative motivation where intentions are only positive. SHRM found that 37 percent of companies that trained managers to handle generational differences found the training highly successful. Manager training for generational competence includes the ability to recognize issues and conflicts that are generation specific, to modify strategies and tactics to each generation and to educate their direct reports on generational differences to promote teamwork.

An awareness of the needs and preferences of workers of different generations can help managers manage in ways that engage and retain talented employees of all ages. Understanding generational differences can help managers adapt their supervision styles to the needs of different employees. That might mean working with a Generation X employee to find opportunities for flexibility in work hours as a way of achieving better work-life balance while meeting the goals of the job. Or it might simply be paying attention to the learning and communication styles of employees of different ages, and to their varying needs for feedback and recognition.

Helping managers become aware of generational differences, and of the business opportunities available in being open to and valuing these differences, can open the door to breakthrough change.

After training and awareness-building, the next and more important step is to get the generations working together on projects in ways that the strengths and good ideas of each member of a work team are allowed full expression — and are allowed to feed off the strengths and ideas of others with different generational frameworks and world views. Helping managers become aware of generational differences, and of the business opportunities available in being open to and valuing these differences, can open the door to breakthrough change.

In the case study of junior officers in Iraq on the following page, the Army allowed two entrepreneurial Generation X officers to build a more effective communication and training method, even though it challenged an entrenched method maintained by higher-level baby boomer officers.

Enlightened management can help create a situation in which engaged employees of all generations work productively together on positive changes that help grow a business and seize market opportunities. And that is the work environment that will attract and keep the superior talent the organization needs to thrive.

One size fits one when it comes to managing an intergenerational team, just as it does when designing benefit and rewards programs for an organization.

Case study: Generational teaching and communication in the Army

In a January 13, 2005 article in *The New Yorker*, Dan Baum describes a generational struggle in the Army over effective training and communication methods. Shortly before America invaded Iraq, the Army concluded that its officers lacked the ability to think creatively and innovate in combat situations. Research indicated that training in and of itself was not the problem, but that even worthwhile training was done in such a way as to stifle creativity. The findings were presented to a conference of two-star generals in early 2001. Just as the Army began evaluating how to loosen up decision-making among junior officers, the Iraq war began.

A year after the invasion, the military researcher who originally concluded that the military was encouraging reactive rather than proactive thinking went to Iraq to see firsthand how the junior officers were performing. While he expected the worst, he found the opposite. Junior officers were taking the initiative in the unpredictable and fast-changing environment of the Iraq occupation and found ways to share what they were learning quickly and efficiently. These junior officers – the lieutenants and captains in charge of companies and platoons – found themselves suddenly thrust into situations for which they had no training. They were confronting unexpected forms of military and insurgent opposition. As the first wave of fighting ended, they found themselves in roles more akin to civilian police and local government leaders. And they were doing quite well.

Rather than rely on written field manuals or carefully vetted advice from the Center

for Lessons Learned (CALL), the Army's official channel for sharing experience learned in new combat situations, two younger officers created their own Web sites — *Companycommand.com* and *Platoonleader.com* — as forums for other junior field officers to share their experience and advice more immediately. (Most officers have access to the Internet even in remote bases in Iraq and Afghanistan.) Two years into the conflict, junior officers throughout Iraq and Afghanistan reported using CALL occasionally and when they had lots of time, and the two "grass roots" sites regularly and when they needed information quickly.

The story is a fascinating example of generational differences in approaches to communication, learning, technology and hierarchy. CALL, the Army's official mechanism for sharing new information about changing combat conditions, is managed by high-level officers, most of them baby boomers. The junior officers who needed that new information more quickly, and who created and quickly adopted the two Web sites as a new way to disseminate it, were Gen Xers. Instead of waiting for instruction from higher ranks, these young field commanders used technology in a creative way to bypass the Army hierarchy and share information directly with each other. These officers' innovative use of the Web changed the way information was gathered and disseminated about what was working and what was not in fighting a fast-changing urban guerilla war.

Generational competence and product strategy

An important gain from generational competence in managing talent within an organization is the opportunity to apply multigenerational perspectives to identify and address customer needs and market opportunities that might otherwise go unnoticed.

IBM shifted from minimizing differences to understanding and studying them and capitalizing on the business opportunities they present.

An article in the January 2005 *Harvard Business Review* provides a case study of how IBM expanded minority markets dramatically by promoting diversity within its own workforce. When Lou Gerstner became CEO in 1993, he was concerned that his senior management team didn't reflect the diversity of the company's employees or the talent pool available for hiring. Nor did it reflect the diversity of IBM's customers and potential customers. As part of his growth strategy for the business, Gerstner made diversity the cornerstone of IBM's HR strategy. Diversity to Gerstner and IBM was about more than fairness and good citizenship. It became a market-based strategy focused on understanding IBM's diverse markets.

IBM shifted from minimizing differences to understanding and studying them and capitalizing on the business opportunities they present. For example, the work of several internal constituency groups resulted in IBM's establishing a New Market Development organization. This group's goals were to expand IBM's business with women-owned and multicultural enterprises in the U.S. Between 1998 and 2001, revenue from these efforts grew from \$10 million to more than \$300 million.

IBM also listened to the recommendations of an internal task force of employees with disabilities. When the task force identified a market opportunity in new legislation setting accessibility standards as a requirement in the award of federal contracts, the company responded with an initiative to make IBM products more broadly accessible. IBM expects this market to grow as countries around the world pass similar legislation and as accessibility becomes a more important issue to consumers in aging populations. The company predicts revenue of more than a billion dollars from the venture over the next five to ten years.

Generational competence can be applied in the same way to identify market opportunities. Understanding generational needs and values among an organization's own employees can provide market intelligence to better understand age-diverse customers. The technology boom of the 1990s brought such innovations as voice recognition equipment for telephone and multi-tasking tools: PDAs, wireless telephones with text messaging and instant messaging. The early adopters of these products and services tended to be younger, tech-savvy customers. What might the market opportunities be for versions of these tools geared to the weaker eyes and less nimble fingers of older customers? And what might the market opportunities be for products and services that help Generation X parents find the work-life balance they seek while continuing to make important contributions at work? Every organization will have its own market opportunities to notice and seize. The key is to pay attention to generational differences. Ignored, they can be hidden obstacles to success. Understood and valued, they are assets to be explored for potential synergies and opportunities.

Summary and what organizations can do

The uneven population curves caused by the baby boom and “baby bust” generations will present important challenges to organizations as older workers begin to retire or scale back in the years ahead. The organizational strain of that transition is likely to be both mitigated and intensified by generational differences, including:

- The baby boomers’ intention to continue working after age 65, but at jobs that allow greater work-life balance and bring more personal fulfillment.
- The premium younger workers place on work-life balance and their lessened interest in advancing to positions of greater responsibility.
- The need for employees of four different generations to work together effectively to further the aims of the organization — to effect the transfer of knowledge and skills from older workers to younger workers and to gain the advantages possible from the synergies of four distinct sets of strengths and four different world views.

Generational competence is the ability to understand, appreciate and meet the specific needs of different generations — to hire, retain and gain the full contribution of the most talented employees across the generations. It is recognition that one size no longer fits all when it comes to designing benefits and rewards and managing for full engagement. One size fits only one.

Generational differences: Opportunities for conflict and synergy. The four generations in the workplace today come to work with different expectations, assumptions and priorities and with different approaches to work and communication. Those differences can be ignored and allowed to grow into a source of misunderstanding and conflict. Or they can be recognized and built into an opportunity for creative collaboration and synergy.

What organizations can do:

- Understand and build awareness of generational differences.
- Study how different generations interact, use products and access services within the enterprise.
- Leverage generational understanding to identify market opportunities and to improve marketing, product development, customer service and management practices.
- Design projects to provide opportunities for cross-generational collaboration.

Advancement and succession planning. As baby boomers retire or scale back, there may not be enough Gen X workers who are willing to step into roles that require sacrifices in work-life balance. *What organizations can do:*

- Find ways to challenge employees within the structure of their current positions.
- Look for opportunities to provide greater work-life balance in all kinds of positions, including high-level positions, through job design and flexibility.
- Incent high-performing older workers to remain in the workplace in part-time positions.

Training and development. As the baby boom generation begins to retire, current strategies focused on recruitment and retention will no longer be sufficient to fill the growing vacuum in knowledge, experience and seasoned management. Attention will need to be given to purposeful transfer of knowledge and deliberate development of talent.

What organizations can do:

- Deliver training to managers and employees to build awareness of generational differences and encourage recognition of opportunities for cross-generational synergies.
- Recognize generational differences in learning styles in the design and delivery of training.

- Identify promising younger workers for management training.
- Continuously train older workers on new technologies.
- Plan for the purposeful transfer of knowledge from older to younger workers.
- Match mentoring needs of older workers with ongoing learning needs of younger workers.
- Create learning and two-way mentoring opportunities by deliberately building and supporting cross-generational teams.
- Take advantage of the learning opportunities inherent in day-to-day work through job design and management practices (allowing employees to make and learn from mistakes, facilitating peer-to-peer learning, etc.).

Rewards and benefits. Knowing what matters to specific employees when designing benefit and reward packages is critical to business outcomes. Organizations must now consider generational differences in employee needs and motivations and provide choices aligned to age. *What organizations can do:*

- Understand generational differences in employee needs and preferences through research and employee surveys.
- Consider innovative workplace practices to allow flexibility in where and when work is done and in allowing different kinds of reduced-hour schedules without career or benefit penalties.
- Find ways to offer more choices in benefits such as health care coverage and retirement accounts to address the diverse preferences of different employees.
- Consider a range of financial benefits to appeal to employees of different ages.
- Find ways to eliminate penalties for older workers who choose to work after “retirement” (within Employee Retirement Income Security Act parameters).
- Communicate benefits in multiple ways to respond to generational differences, including different comfort levels with technology and different needs for face-to-face or print communication.

Productivity and engagement. Organizations now need to tap the discretionary effort of employees across generations. The factors that contribute to employees’ “passion” for their jobs vary by age. Engagement is higher among employees of all ages when they have effective leadership, a motivating manager, productive coworkers and the tools and authority to do their job well. *What organizations can do:*

- Be direct in explaining career opportunities to younger workers, which include lateral career moves and stretch assignments.
- Provide younger workers with continuing opportunities for learning and growth.
- Provide management training to ensure that managers and supervisors provide motivating leadership to employees of all ages.
- Value older workers as a productive asset.

Generational competence can give an enterprise competitive advantage by maximizing human capital and talent management initiatives, minimizing the cost of lost knowledge, and enhancing product marketing. Organizations will need the talent and engagement of all generations in order to build tomorrow’s workforce. HR can play an important strategic role in these efforts.

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