MANAGING TALENT IN A MULTI-GENERATIONAL WORKFORCE

Best Practices for Attracting, Engaging and Retaining Your Top-Performers
THE DYNAMICS OF A WORKFORCE IN TRANSITION

The 21st century job market presents a challenge for organizations of all sizes to manage a multi-generational workforce that is more demographically varied today than ever before.

Today’s workplace is experiencing increased churn as the ongoing retirement of Baby Boomers and the advancement of Generation Xers to fill their positions is accelerating a transition to a younger generation of workers commonly referred to as Millennials. This group has its own beliefs, values and assumptions about behavior in the workplace but lacks real-world experience needed to move up the management ladder.

This situation is creating a potential talent gap that could leave organizations short-handed and vulnerable. To bridge it, business leaders with multi-generational teams have to first understand how each group works best in order to have a productive unit. To be successful, they must:

- Be vigilant that this developing divide doesn’t create miscommunication, hinder performance or expose their company to risk.
- Ensure that the intellectual capital of its senior managers and workers – their knowledge and skill sets – are successfully transferred to the younger generation to sustain continuity of performance, productivity and competitive advantage.
- Develop a talent management strategy that will attract, engage, reward and retain the best and brightest employees and managers.

A prudent first step is a clear understanding of the three primary generational groups in the workforce. Each has statistical similarities such as age and income bracket and has been influenced by a combination of profound events, demographic trends, and cultural phenomena:

**Baby Boomers:** Born between 1946 and 1964 and 81 million strong, they normally stay with the same organization for years. They value recognition and advancement; tend to favor a top-down management style; have been known to micro-manage; work long hours and prefer communicating in person versus relying on technology. Many plan to work past retirement age having been impacted by the loss of pension funds, retirement savings and investments during the recent recession. Others still work because they both can and want to!

**Gen X:** Born between 1965 and 1980, this group totals 46 million and makes up about 29 percent of the U.S. workforce with many already mid-way through their careers. The first generation to embrace the personal computer and the Internet, they are entrepreneurial and independent; have moved through several career changes with different companies; tend to be results-focused and prefer direct, constructive feedback.

**Millennials (Gen Y):** Born between 1980 and 1995, they represent the youngest generation in the job market. Almost 80 million strong, they see multiple job changes as inevitable along their career path. They are tech savvy and heavily engaged with social media through their smart phones, tablets and other devices. Highly educated and ethnically diverse, this generation responds favorably to an inclusive style of management; craves immediate feedback about performance, and seeks work-life balance.

The second step is to evaluate job-related behavioral characteristics and identify how each generation best displays them. Results from the June 2013 Online Generations Survey published by consulting firm Ernst & Young (E&Y) compared the percentage of respondents that either strongly or somewhat agreed where each generation ranked on characteristics ranging from revenue generator and relationship builder to brand ambassador and tech savvy.

---

THE ROLE OF TALENT MANAGEMENT

As a multi-tiered business process, talent management integrates systems and strategies designed to increase workplace productivity with an organization’s ability to hire, develop, utilize and retain highly skilled, top-performing employees. The five strategic domains that comprise a comprehensive talent management plan include:

Talent Acquisition, the ability to attract, engage and hire top-performing employees to support business goals, is a primary driver for accelerating organizational success.

Performance Management enables the maintaining and/or improving of employee job performance through the use of performance assessment tools, coaching, feedback, and ongoing communication between employees and managers.

Compensation Management represents the cost-efficient planning, allocating, and administering of employee compensation – salaries, merit rewards, performance-based compensation, long-term incentives and bonuses.

Succession Management ensures that organizations can identify, develop and manage stellar employees with the skills, competencies and experience to smoothly transition to higher-level positions as they appear due to separation, retirement, or termination.

Learning Management prepares employees with the knowledge and competencies to meet current and future job requirements by providing access to and support for online, classroom, on-the-job and other learning disciplines as well as professional licensing and certification programs.

Talent Acquisition is the ability to attract, engage and hire top-performing employees to support business goals.
Currently, the majority of senior leadership and management positions within the multi-generational workforce are occupied by the Baby Boomers. As they retire, it is inevitable that much organizational knowledge, experience and leadership will leave with them.

Forward-facing companies are addressing this issue by incorporating technology, modifying existing organizational structures, and initiating innovative mentoring and training programs. This will help them transfer knowledge to a younger generation of workers in order to build a more robust talent management practice and prepare for and keep pace with the demographic shift in the workplace.

**ATTRACT AND RETAIN: SECURING TOP TALENT**

Meeting the needs of a multi-generational workforce should begin with a review of current recruiting and staffing policies as they relate to your business goals and then re-aligning them accordingly. The following best practices can help enhance your internal activities to keep your highly skilled “knowledge workers” away from your competitors:

- Leverage Baby Boomer expertise before they retire to ensure skills and experience can be passed on to younger workers through mentoring and other knowledge-share programs.
- Increase retention of valuable, older employees that are approaching/considering retirement through incentives such as phased retirement and flexible work arrangements.
- Recognize that Generation X has assumed a dominant position in the workforce through upward mobility to senior positions. Offer them more ways to strike better work-life balance by providing flex time so they can take time off to volunteer for causes they support and allowing them to work from home. With connectivity to technology and social media, they can be just as productive as if they were in the office.

- Tailor perks to the needs of an age-diverse workforce. The E&Y research showed:
  - Cash is still king among all generations.
  - Flexibility rated the most important workplace perk among non-cash benefits.
  - Promotions ranked higher among Millennials than Gen X and Baby Boomers as these groups may already have achieved these career goals.

- Get the “deal” right’. Explain what you are offering a potential employee and ask what they expect in return in order to establish a positive employee experience. Think creatively about reward strategies and what motivates your new hires.

- Re-think recruiting strategies. As Millennials populate the workforce, existing methods may not be sticky enough to attract them. They prefer to follow their passions and make their own way rather than conform to policies they perceive won’t meet their expectations. Recruitment should be aligned to meet needs and aspirations by:
  - Connecting through online business portals such as LinkedIn and Twitter. Tech savvy and socially connected, Millennials often won’t post resumes online nor respond to corporate recruiters.
  - Considering a Bring Your Own Device policy. Technology-driven as a group, many won’t be highly motivated if they can’t use their own smartphones or tablets at work.
  - Expecting them to go. Changing jobs among millennials will be higher than among other generations as many have made compromises in finding their first job.
WORKPLACE INITIATIVES FOR MANAGING THE MULTI-FORCE

To hedge against an impending global talent shortage by 2020, many organizations are implementing Employee Engagement, Pay-for-Talent, Gamification and other initiatives to stay ahead of this potential hurdle and ensure they retain the human capital needed to compete in a global economy.

EMPLOYEE ENGAGEMENT

The Conference Board defines employee engagement as “A heightened emotional connection that an employee feels for his or her organization, that influences him or her to exert greater discretionary effort to his or her work.” When developing or enhancing your employee engagement strategy:

- **Offer flexibility to meet talent shortages.** Talent pools are often not in convenient locations and shift overtime. So recruiting, training, and retaining talent is partly solved by having flexible working arrangements. Companies can exploit employee’s skills from a variety of places. Businesses that engage in this manner understand that they have a workforce that’s wired, plugged in, connected, and empowered.

- **Give employees meaningful and ongoing feedback.** Encourage two-way dialog and make it part of your culture by increasing the frequency of employee reviews to establish committed intervals for discussion. For Millennials, the annual performance review has morphed into instant, micro-feedback specific to certain behavior(s) in real time. It’s spot on, to the point, and in the style of a Twitter-like response of 144 characters.

- **Define clear goals and link them to organizational goals.** Employees need to know what is expected of them, and to understand how their work contributes to the company’s mission and success. Specific, measurable, achievable, realistic and time-bound goals (SMART Goals) spell out what they’re responsible for and how success will be measured.

- **Recognition and reward.** Employees need to feel that their organizations reward performance fairly and equitably. This is applicable to work/project opportunities, promotions, and awards, but especially to all areas of compensation, including base pay, bonuses, stock options, etc. Be sure to lay out a roadmap for advancement so workers see they have a future with your organization. Career development has many options, from classroom and online courses to challenging work assignments out of town or overseas.

- **Adopt “Distributed” decisionmaking.** Replace centralized decisionmaking and chain of command structure with collaborative groups. Millennials, in particular, have pretty much worked this way their entire lives. The person with the most relevant information takes the lead. It’s organic, bottom-up decisionmaking unimpeded by the old hierarchical system.

PAY FOR PERFORMANCE VS. PAY FOR TALENT

The traditional pay for performance model – where employees are rewarded based on past performance – addresses only one component needed to retain their best performers. This is where Pay for Talent becomes strategically viable.

Pay for Talent is driven by differentiation in employee compensation. It ensures an organization rewards employees offering the most value – based on past performance, critical skills and experience, and future potential – to support the attainment of current and emerging business goals.

The Pay for Talent model enables organizations to identify the “who and what” that are most valuable to them – both today and into the future — and then offer top talent the appropriate rewards and incentives to keep performance and productivity at peak levels and drive progress.

Successful Pay for Talent programs expand the dialog of employee retention to include a number of talent management processes ranging from assessment of talent against future leadership criteria and succession planning to performance management and employee development.
From a bottom line perspective, people work to earn a living making this multi-dimensional compensation approach an important and effective retention lever – in both the short- and long-term – to keep employees on the job and performing at peak levels.

By recognizing those employees with the potential to deliver even more value in the future, organizations are better equipped to not only reward them for past contributions, but also provide incentives for future initiative and performance. Those who choose to overlook this process run the risk of losing their highly skilled employees to competitors in the ongoing scrum for talent.

ONBOARDING

The need to retain new hires and make them productive contributors has organizations looking beyond traditional new employee orientation programs. Onboarding, also known as organizational socialization, is the process of acquiring, accommodating, assimilating and accelerating new team members – whether they come from outside or inside your organization – so that they develop the necessary knowledge, skill sets and behaviors to become effective contributors to your business.

According to research from the Aberdeen Group, onboarding has become a core component of the talent-life cycle with “Nearly nine out of ten (86 percent) of organizations indicating that an employee makes their decision on whether or not to stay with the company long term within the first six months.”3 Cementing a relationship during this period – or even earlier before the new hire reports for work – can help organizations recover their hiring investment.

A strategic onboarding policy provides a roadmap for organizations seeking to achieve superior performance through best-in-class learning and teaching tools to convert new hires into productive contributors. This includes the use of “blended learning” initiatives that combine both in-person and e-learning components – either formal or informal – as effective delivery channels. With the relentless advance of technology, online learning and virtual collaboration for just in time, on-demand training and education have become the de facto standards.

Impact of Standardized Onboarding

<table>
<thead>
<tr>
<th>Percentage of respondents</th>
<th>New hire retention</th>
<th>Organizational goals met</th>
<th>New hire performance goals met</th>
<th>New hire engagement</th>
<th>Internal fill rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Standardized</td>
<td>67%</td>
<td>44%</td>
<td>39%</td>
<td>37%</td>
<td>35%</td>
</tr>
<tr>
<td>Not Standard</td>
<td>38%</td>
<td>39%</td>
<td>24%</td>
<td>17%</td>
<td>24%</td>
</tr>
</tbody>
</table>

Source: Aberdeen Group, 2011.

Effective onboarding is an important contribution that hiring managers or Human Resources professionals can make to long-term success, as it:

- Drives productivity, accelerates results, and creates contributors and “insiders”.
- Enhances organizational engagement, which impacts satisfaction, happiness and longevity.
- Helps achieve a competitive advantage in a mobile and globalized workforce.

“Leaders often say that their organization’s greatest asset is its people — but in reality, this is only true when those employees are fully engaged in their jobs.”2

3. All Aboard for Learning from the Start, Analyst Insight, Aberdeen Group, August 2011.
GAMIFICATION

The idea of playing games at work is anathema to most organizations as it encourages having fun without any meaningful benefit or purpose. However, “The practical application of gamification is disrupting that assumption and slowly changing the way businesses learn.”5

Video games have fast become a dominant form of entertainment because they are powerful tools for motivating behavior and capitalize on both psychology and technology in ways that can be applied outside the game environment. Gamification builds on these factors by applying engaging elements of game theory – digital design techniques, thinking, and mechanics to non-game scenarios, such as business and social impact challenges, to enhance employee learning.

“Over the past year, gamification has clearly evolved from an un-trusted and misunderstood “cool new thing” to become a staple of any serious business success strategy.”6 It is being used for marketing, human resources, productivity enhancement, sustainability, training, health and wellness, innovation, and customer engagement. For example, “UPS began using video games to train newly recruited drivers after finding that 30% of candidates failed the company’s traditional training program.”7

BEST PRACTICES FOR MANAGEMENT AND HUMAN RESOURCES

More than two-thirds of E&Y Survey responders had taken steps to reduce the challenges of managing a multi-generation mix by introducing team-building exercises, generational differences training, cross-generational networking, and others. You might also consider the following practices:

• Motivate individuals not stereotypes. The most effective way to learn what motivates employees is to simply ask. Use casual conversations in conjunction with performance reviews to learn what makes your employees tick and how to inspire and reward them.

• Create efficient partnerships. Traditionally, mentoring programs pair an older employee with a much younger one. However, a survey by Steelcase, a global leader in the office furniture industry, showed that employees tend to identify and admire colleagues who are within 15 years of their own age. The right paring, therefore, works to break down any cultural or technological barriers in the partnership.

• Offer a marketplace of voluntary benefits. Results from MetLife’s 10th annual Study of Employee Benefit Trends indicate that 54 percent of younger workers (Gen X and Millennials) say they are willing to pay for a wider variety of voluntary benefits – from traditional life and health insurance, dental and vision to newer ones such as home and auto insurance, appliance purchasing programs, mortgage lending, financial education and pet insurance – if employers are able to provide them.

• Groom brand ambassadors. Engaged employees, whether on the front lines or in supporting roles, are well qualified to serve as advocates for your brand and add dimension to the brand promise when speaking with customers or prospects. The best brand ambassadors continue to promote the values of their company’s brand even when they are off the clock.

• Select the right managers, coach them, and hold them accountable for their employees’ engagement. Recent research from the Gallup Organization found that managers are primarily responsible for their employees’ engagement levels. Companies should coach managers to take an active role in building engagement plans with their employees, hold managers accountable, track their progress, and ensure they emotionally engage their employees.

4. Ibid. 2.
7. Ibid. 5.
CONTAINING COSTS FOR RECRUITMENT, TRAINING AND RETENTION

To put it bluntly, turnover is expensive due to the direct replacement cost of acquiring new employees, the lost opportunity costs of vacant positions, and lost performance and output. While the financial impacts from staff turnover fluctuate depending on industry, position, and location, the U.S. Department of Labor estimates replacing employees due to turnover costs organizations one-third of an employee’s salary. The cost increases the more senior the position within an organization and extends to higher onboarding and training costs for new staff. There are a number of cost-control solutions for consideration:

- **Reduce health benefit costs.** Recent ADP research showed managers at small and medium-sized companies ranked employee benefit costs as having the greatest impact on their business. Moving health coverage to a defined contribution approach offers a practical solution with more control and predictability. In this scenario, employees purchase individual health insurance policies and submit their expenses for reimbursement. The business controls all health benefits costs, and employees get the same (or better) coverage.

- **Work only with the channels that lead to quality hires.** Analyze your hiring track record to determine which channels provide the highest-quality applicants. Investing in managing your hiring strategy up front will help avoid hiring low-quality candidates and the increased costs that will follow due to inefficiencies, disruption, and future recruiting.

- **Assign your hard-to-fill searches to contingency search firms.** Follow the 80/20 rule by conducting 80 percent of the searches and outsourcing the most difficult 20 percent.

- **Invest in leading-edge technology** such as recruiting software to reduce costs and make better hiring decisions. These applications automate the sourcing and hiring process, create and post job ads to multiple job boards, analyze candidates and rank them on suitability.

- **Groom the leaders of tomorrow** by identifying your top performers early and often. Instead of incurring the expense and effort of replacing great talent, hold open and honest conversations with them about how they can fit into the company’s future success. If your budget precludes financial rewards, do so through development perks and flex programs.

- **Make Boomerang hires** of desirable top performers who left your organization for what was perceived to be greener pastures and network regularly with former employees, clients you have supported who have moved on to other companies, and suppliers and vendors.

THE TAKEAWAY

Talent Management initiatives, implemented properly against a multi-generational workforce, can be effective drivers to advance your organization’s strategic priorities – within its corporate culture and values – to help achieve measurable results. To improve your margins for success, invest the time and effort to involve the right people, collect the right data, and design the right procedures to help source, engage and retain key talent.

Chase is committed to helping you achieve all of your goals and moving your business forward from a position of strength... and here is how we can assist. Our solutions include credit and cash management services, merchant services, business checking products and other financial tools and resources. All are designed to help you access working capital, improve cash flow and compete more effectively.

For more information, please contact your local Chase Banker today.