

## DÉJÀ VU ALL OVER AGAIN

The Baby Boomer crisis threatens to recall the experiences of Y2000

by

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Just eight years ago, the nation's business squeezed through the trauma of Y2000.

This year the first baby boomers reach 62, become eligible for social security benefits and approach the limits of the defined pension plans that nearly two-thirds of all companies have in place.

Many of the eighty million Baby Boomers must decide between now and 2011 whether they will take lump sum payments or find a reason to stay longer in their companies, despite having maximized their retirement benefits. The Bureau of Labor Statistics estimates that ten million of that group will leave their current companies by then. Those who elect or are asked to stay will do it for reasons other than enhancing their future pensions.

The nature of American business has been to procrastinate. Many companies, despite early warnings, never reacted to the enormous and costly systems impact of Y2000 until less than a year before the changeover. Then they played catch-up at considerable extra and unnecessary expense in money, customer service and competitiveness. Unfortunately, memories are short.

Now, we face a much bigger crisis. And the early warnings are again loud and clear. Baby Boomers will remember Yogi Berra as a baseball icon and the philosopher who coined the phrase, "déjà vu all over again." True to that philosophy, here we are tripping all over ourselves again and leaving companies vulnerable where they don't need to be vulnerable. This time, instead of applications systems, the systems we need to be concerned about are human capital systems. In a credit-tight economy, with so many investment and commercial bank failures, how can businesses still be competitive, earn profits and present their shareholders with reasonable value when they lose key employees and the vast store of knowledge they represent? What they should be doing is retaining those employees by establishing cost-saving changes, stressing flexibility and implementing new organizational approaches to defining strategic goals and what is needed to meet them.

If the Baby Boomers retire, as predicted, in steadily increasing numbers between 2011 and 2018, when the oldest Baby Boomers will turn 72, what happens to American business?

There are few successors to speak of; birth rates from the mid-1960s through the 1980s were far less than those following the return of GIs after World War II. As the Baby Boomers leave, taking with them

their combination of discipline, knowledge, experience and relationships, succession plans and career paths with a combination of preretirees, Generation X and Generation Y employees cannot produce adequate replacements. The outside market, despite the high unemployment rate and the massive layoffs in the financial market, lacks both quality and sufficient numbers. Competition for the best outside candidates is fierce and they are able to command higher compensation than their predecessors. The current group of preretirees, ages 50 to 64, is expected to total 58.4 million people by 2010. More than 12,000 people per day turn 50.

But, even more importantly than being such a smaller group, is what the replacements represent. Baby Boomers have acquired over the years an enormous amount of institutional knowledge of the industry, markets, products and jobs. If the replacements lacked only the years of job experience of the Baby Boomers, their development could be fast-tracked. But they lack a lot more.

Human Resources executives across the country are finding that the market for talent is sparse and, therefore, becoming increasingly more competitive and more expensive. Potential Baby Boomer replacements in the outside market often lack core competencies and cannot write clear and concise business letters or make coherent presentations. To a large extent, their failures come from the characteristics of their generations (Generations X and Y), where speed and multitasking, email, text-messaging and reliance on computer resources have replaced the reading, writing, arithmetic and interpersonal skills on which the Baby Boomers grew up. Clearly, our education system has yielded to a new standard, which is less demanding on English language skills and more dependent on word processors and grammar and spell checks and not as concerned as previous generations with high school and college students showing at least a competency in language skills.

The concept of rewriting is lost. Speed defines the new generation, along with impatience to get on to other matters. Writing a draft of a paper is to them an outdated and unnecessary concept. Except when they reach the business world. They have grown up as impatient generations and, while there is no questioning their technical smarts and incredible ability to multitask, they have not learned to draft and edit ideas. Their thought patterns are quick and often lack clarity. Writing is whatever moves from the keyboard to the screen. Communication, as such, is generally instantaneous. Spell checks and grammar rank along side of calculator functions as contributors to the loss of basic skills.

At a time of the biggest employment crisis in American history, we are faced with a see-saw battle. On one side, company executives should reconsider long-held attitudes that retirees are old, unnecessary and replaceable resources. On the other, human resources professionals look at the prospects at all levels, including MBAs, who have little patience to read, have limited vocabulary and spelling skills and derive their math skills from a keyboard. And somewhere in the middle is that fulcrum of institutional knowledge –industry, market, product and job –and the understanding of customer tastes, preferences and changing buying habits, along with the relationships and knowledge that get things done quickly and effectively outside any formal system. Yet, a study done by Boston College last year, indicated that many of the 400 companies they surveyed were “lukewarm” about providing ways for older workers to remain in the marketplace.

Businesses can teach replacement workers the technical skills needed for a job in a relatively short time, but teaching them how to relate credibly to customers and to resolve touchy problems requires considerable on-the-job experience and instincts, which may or may not be present.

Some corporations are making changes to protect themselves against losing mission-critical knowledge. The most forward thinking, success-prone companies are ensuring their own continued success by looking for the best ways to inform and engage the younger generations. At this point, according to studies, only a small percent of companies, perhaps as little as one-third, even understand there is a problem. The others, as in Y2000, either are failing to recognize the seriousness of the problem, or deny any problem at all. What happens then to profitability, competitiveness, shareholder value and industry reputation? Companies cannot afford to drift complacently. Not if they expect to continue to produce quality products and services at acceptable service levels. By the time, the reality hits and corporations are depleted of what they thought were replaceable skills, it will be too late. Gaps in the market will be filled by the companies that were alert enough to identify and react to the problem. Make no mistake, the time for prioritizing and taking action is not two years from now. It is now.

While tens of millions of Baby Boomers will leave by 2018, estimated replacements in succession plans and career paths throughout the country will represent only 56% of that number. There will be more of a shortage in white collar workers than blue collar. Companies face an enormous gap in leadership and in sales and technical skills. Organizations need to define their critical workforce segments, match employees to jobs or projects, and then focus on what key employees care about most, including work that engages them, opportunities to learn new skills and technologies, fresh challenges and the freedom to perform better. At the same time, they need to identify employees whose skills and interests are mismatched, train them and move them to more appropriate responsibilities.

Training should be designed to enhance employees' knowledge, skills and confidence and works best when it has an application focus that applies to their work. It has been an accepted fact for many years in technology areas that training employees on new skills and allowing them to use them are key to employee retention. In a multigenerational context, that philosophy extends to all employees, including Baby Boomers who show high desire to learn new content and new processes. Now that attracting top talent is becoming increasingly more competitive, employers have to balance the cultivation of leadership skills and their employees' desire to learn and grow against the lure of money, challenge and excitement from another company. Remember, if a Baby Boomer has maxed out his retirement benefits, it may be in his best interests in this economy to take your pension benefits and then move to another company. You need to find ways to counter that. The expensive reality is that the cost of replacement, including lost productivity, inflated salaries, sign-on bonuses, guarantees and recruiting fees, can be staggering. The further reality is that, short of retained search agreements, there is little guarantee that the new employee will stay and be as productive as intended.

Two-way mentoring programs can also help with retention. Younger employees can teach mature workers advanced technical skills while obtaining from the mature workers informational, strategic and emotional support as they learn the ropes of a corporation. It is clear that companies that realize they are on the verge of losing immense stores of knowledge and react now have the best chance to save,

and even improve their competitive positions and protect their shareholder values. Those that do not face potential economic disaster.

A significant part of the solution is getting the various generations to talk to each other, find common goals and learn to work together despite very different work habits. How do companies get Baby Boomers to speak the language(s) of Generation X and Generation Y? If you have teenagers or young college graduates, that problem becomes very clear. What if you had to report to your sons' or daughters' peers? What if you were managing them?

Every business has undocumented, vital bits of information, key relationships, dated systems whose imbedded logic requires translation from someone who has been there. Every company needs someone who can find things and get things done under less than perfect circumstances, without having to rewrite or rebuild costly programs. The loss of knowledgeable and productive Baby Boomers can leave companies highly vulnerable.

In the next ten years, the number of 55-plus workers is expected to grow at more than five times the rate of the overall workforce, so the problem will not go away. As the workforce ages, so do the prospects of American business.

The Hospital Corporation of America, in its 190 hospitals nationwide, employs more than 60 people above the age of 80. HCA is rated by the AARP as one of the country's best companies for older workers. Included on that list are other well-known companies such as The Aerospace Corporation, Baptist Health of South Florida, Principal Financial Group, New York Life Insurance Company, Prudential Financial, ABN AMRO North America, FINRA (the successor to the National Association of Securities Dealers), Massachusetts Institute of Technology, Volkswagen of America, The Farmers Insurance Group, Lincoln Financial Corporation, Deere & Company, Whirlpool Corporation, Hartford Financial Services, the Mitre Corporation, Zurich North America, Henry Ford Health System, the University of Texas MD Anderson Cancer Center, Hoffman La Roche, Saint Barnabas Health Care System, Virginia Commonwealth University, Cornell University, Yale-New Haven Hospital, First Horizon National Corporation and Scripps Health.

Service quality, consistency and fair pricing are the keys for companies to build and retain market share. Relationships with customers depend on the ability of a company's staff to relate to their needs, concerns and disappointments, and a positive attitude than projects both understanding and caring. Retailers have found that the strongest customer relationships often grow through demographics – generations identifying with generations. With Baby Boomers comprising the single largest generation in our history, with more discretionary income than any other age group, retention of key people underscores the company's commitment to customer-service.

Rapid technological change has created a new business environment where innovation has become a top competitive strategy and, in turn, has created sharp demand for human capital as a key business asset. At the same time, demographic pressures point to an intensifying shortage of key talent. High performing companies focus more attention on people and innovation and are moving away from traditional thinking and programs. Their strategies, according to Towers Perrin, consistently

emphasize innovation, growth, product customization and technological leverage, rather than cost management, operating efficiency and consolidation. They are more confident about their ability to adapt to change overall and are already focusing on critical elements of new economy competitive strategy – product and service excellence, customer relationship management, brand and global industry leadership—that the new business climate will require..

Employees with intellectual and institutional capital will play a key role in driving business change. During the next decade, companies in financial services, technology, media and pharmaceuticals are likely to have to replace 65% of their current workforces due to retirements and turnover. With the shrinking supply of new talent, companies in these industries, particularly, will have trouble attracting enough people who bring or can create value and whose skills and abilities align with their organizational business strategies.

Recruitment expenditures from 2008 to 2012 are expected to grow to \$73 billion. Online recruiting will grow mostly in niche job boards that target specific groups and demographics. But, sensibly, while companies always need to acquire some amount of experienced and fresh thinkers at all levels, a major part of the solution is to find ways to retain committed Baby Boomers whose performances have been consistently high. They most likely still have energy and relative good health and can still contribute positively to the company. But that means change. Change in attitude. Change in strategies. Change in retirement and benefit plans. Change in company responsiveness.

Nothing thrown to Yogi Berra was unhittable. Like the Yankees' Hall of Fame catcher, companies need to prepare themselves for greatness. Recognizing the significance of the potential Baby Boomer retirements is the first step. Swinging into action is next. Leave déjà vu all over again to someone else.

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