

# Navigate the Baby Boomer Exodus with a Talent Management Program

By Bill Handschin, Ph. D., L.P.

The demographics have caught up with us, folks. It's time to heed the warnings. Upwards of 40 percent of today's workforce will be walking out the door into retirement over the next several years. In as little as five years from now, the workplace is going to be very different, and most companies have not begun preparing to deal with the changes.

Don't be one of those companies.

There are many proactive steps a corporation can begin taking now to prepare for the dramatic workforce changes we all face. The crux of the solution boils down to what human resource (HR) managers have been telling their executive leadership for many years: The key to attracting and retaining top talent is for managers to become the great managers they should have been all along... mentoring their employees, helping them develop a career track, helping them understand the meaning of their work, and clearly communicating how their work contributes to the overall organization.

This white paper will discuss the demographic groups born between 1920 and today; the number in each group and their characteristics; the functions in corporations that stand to be most hard-hit by the Baby Boomer exodus; and the proactive steps a corporation can take to best prepare for these changes.

## The 'Boom' in Baby Boomers

The largest demographic group in the last several decades, the Baby Boomers, is just beginning to reach retirement age. The generations between 1920 and today look like this:

| <u>Decades of Birth</u> | <u>Approximate Number</u> | <u>Generation Known As</u> |
|-------------------------|---------------------------|----------------------------|
| 1920's – early 1940's   | 45 million people         | WWII Survivors             |
| 1943 – 1960             | 76 million people         | Baby Boomers               |
| 1960 – 1980             | 45 million people         | Generation X               |
| 1980 – Present          | 72 million people         | Generation Y               |

The Baby Boomers constitute about 40 percent of the workforce, and should all be out of the workplace in the next 20 years, maybe less. The problem is going to be, at whatever level they're working, they have a lifetime of experience... many of them have long careers within organizations... they have amassed specific skills and expertise... and they're leaving.

According to Lori Grubs, senior consultant at Hewitt Associates, as members of the mammoth Baby Boomer generation continue to depart the workforce in ever-increasing numbers, there simply aren't as many workers in the ensuing generations to take their place.

Along with this decrease in sheer quantity, Grubs continues, comes a heightened competition for those who possess true leadership potential. As a result, corporate boards and senior officers have begun asking the questions HR has been focused on for years: "Are we developing the talent that can lead this corporation into the future?" Unfortunately, many companies still fall woefully short in their attempts to build leadership bench strength.

A 2002 Hewitt Associates survey of CEOs and HR executives at 240 major U.S.-based, multi-national companies revealed that 77 percent of responding organizations had formal processes and programs for developing leaders. Just 32 percent said their organizations had proven effective in achieving that objective, however.<sup>1</sup>

### **Fewer workers and greater expectations**

The characteristics of Baby Boomers and the generations that follow them exacerbate the problem. Let's take a look at each.

**Baby Boomers** – This is a generation thought of as hard-working and conscientious. They like teamwork and growth, and they're in search of personal gratification and some kind of deeper meaning in life. The front end of this group, those born in about 1943, are going to be eligible for full social security benefits when they begin retiring within the next couple of years. They were probably the last generation that worked in jobs with full benefits – pensions and health insurance coverage – after retirement. As a result, they can afford to retire earlier than most of the people coming behind them.

**Generation X and Generation Y** – These groups clearly expect more. Their generations have rarely been denied what they want. They expect new experiences; they want their careers to move forward; and they want the training that will help them grow and succeed. If they don't get these things, they'll move on. Their benefits are increasingly portable, and they expect to have many jobs within their lifetimes. Within a very few years, conditions are going to be such that they'll have a lot of places they can go. The question is, how do you retain the talent you've invested in?

### **What corporations face**

Beginning now and over the next several years, here is what organizations are going to find:

- All the way down the organization their oldest, most experienced people with the most knowledge are walking out the door.
- When it comes time to replace those workers, they will have to look first at Generation X, which is considerably smaller. What most people are envisioning is quite literally a talent war. If you have 75 million people in the workplace and 43 million people to replace them, some people are going to have a hard time. The problem is not just about headcount. It is about finding the talent, experience and potential you need to move your company forward.

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<sup>1</sup> Grubs, Lori in Berger, Lance A. & Berger, Dorothy R. (Eds.). 2004. The Talent Management Handbook: Creating organizational excellence by identifying, developing, and promoting your best people. New York: McGraw-Hill.

- Those hardest-hit might be the people left behind who are asked to do more work; it might be the companies experiencing increasing difficulty getting work done because they can't find the right talent; and it might be the companies where the knowledge of how to do the work has walked out the door, forcing them to rediscover or reinvent processes or purchase the labor from someplace else at a high rate.
- For companies looking outside to hire, the competition will be fierce and it will become very expensive to hire new talent. Companies that decide to grow the talent inside need to anticipate that signing bonuses offered to lure people away from other companies are going to increase.
- If they grow their own, or they're successful at luring people into their organizations, companies are going to have to figure out ways to keep them, and that is likely to require culture change.

Most companies are not yet engaged in the process of trying to come to grips with this issue. My concern is that conditions will become similar to what we saw back in 1999-2000, when there was a scarcity of skilled labor at all levels of the organization. Personally, my business changed. Instead of doing a lot of prior-to-hire assessments, where companies had several candidates from which to choose, they began hiring people they wouldn't have even looked at a few years earlier. So the assessments came later, once companies realized, "Now we have people here. Let's try to figure out how we can help develop them and grow them and make as much out of them as we can." I think that's the kind of situation many companies are going to be looking at if they don't start planning ahead.

### **Positions at greatest risk**

Taking a look inside corporations, what functions stand to be most hard-hit by this trend? I believe there are two: Upper level management, and those that require highly technically skilled or trained professionals.

Upper level management – Individuals in these roles have knowledge of the industry and their competitors, have been through a number of business cycles, and have worked in a variety of capacities within the organization. This type of talent takes a long time to grow and mature. These individuals are going to be hard to replace because it takes many years to gain the level of experience you need to be successful working at the top of a large, complex organization. When you look at 40 percent of the job force walking out the door in a fairly brief period of time, the people coming up behind are just not going to have the time to mature before they're called upon to take on the larger responsibilities.

Highly skilled workers – Jobs that require highly skilled professionals, such as high-technology or research and development, require people who are well trained in math and science. Looking at the school systems today, we see less and less success at educating our students in math and science. Positions like engineers and technicians are going to be much harder to fill because people will not be prepared to do the work. The Bureau of Labor Statistics stated recently: "Professional occupations also have a disproportionate number of older workers, particularly those requiring postgraduate degrees. The opportunity costs for these high-wage earners leaving the labor force is greater than for most other occupations."<sup>2</sup>

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<sup>2</sup> Dohm, Arlene, 2000. Gauging the labor force effects of retiring baby-boomers. Monthly Labor Review.

## **Proactive steps to begin now**

There are several proactive steps a corporation can take to begin preparing for these mammoth workforce changes.

- Start with becoming aware of what you have now – i.e., benchmarking your current workforce – and identifying those people who are going to be leaving.
- Make a decision – are you going to hire from outside or grow from within? If you have people with potential inside, it's often easier to grow your own. Think about what you need to grow this talent, and then what you need to do to keep it.
- Identify your high-potential people and start developing them *now*. And development isn't just about building their skills and giving them experiences; it's also about transferring Baby Boomers' knowledge. Figure out where you have holes – i.e., where there are skills that you don't think your internal people will be able to learn, or you need people with some experiences you can't give them internally. At that point, you have to look outside.
- Retention – Pay close attention to what the next generations are interested in and how they like to work. Gen X and Gen Y have some different characteristics and expectations that are going to complicate the problem. You may need to get really creative, and you may need to change major aspects of your culture.

“Sadly, the majority of companies fail to give adequate attention to succession planning until tragedy strikes in the form of a plane crash, a heart attack or some other unanticipated occurrence.”<sup>1</sup> Companies that intend to not only remain competitive, but to grow, can no longer ignore succession planning. “The wise company has people in the pipeline and is constantly developing them so that when there's an opening there's somebody ready to step in.”<sup>3</sup>

## **What are companies doing to prepare?**

In the actual work setting, what types of needs arise? How can a company utilize an experienced consultant to assess, train and coach technical department managers? To illustrate this, I'll describe an example of a former client.

In the early 2000s, a large regional power company began realizing it was facing a big turnover at the supervisory level in the next five years. It was going to lose a large number of its experienced supervisors to retirement and lacked a process to replace those people. I was part of a team that worked with the company to develop a process to identify technicians with supervisory potential. The company solicited people in the organization who were interested in moving up to a supervisory role, and gave them a realistic job preview so that they would understand the nature of the job. We developed an assessment center process to perform four main functions:

- Assess 165 candidates and identify those who had the best potential to become good supervisors or managers.
- Facilitate a discussion with HR managers as they decided who would be invited to supervisory training.

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<sup>1</sup> Grubs, Lori in Berger, Lance A. & Berger, Dorothy R. (Eds.). 2004. *The Talent Management Handbook: Creating organizational excellence by identifying, developing, and promoting your best people*. New York: McGraw-Hill.

<sup>3</sup> Charan, Ram, Strotter, Stephen, & Noel, James, 2001. *The Leadership Pipeline: How to build the leadership-powered company*. San Francisco: Jossey-Bass. ISBN 0-7879-5172-2

- Counsel those who appeared to be more high-risk candidates. Moving into a supervisory role meant they had to leave the protection of the Union and would not be able to return. We had to help people understand the nature of that risk, as revealed by the assessment process, and the likelihood of their success as a supervisor.
- Conduct follow-up meetings with the candidates and their managers, who would be training the potential supervisors, to help them identify specific skills that needed development and the experiences that would help the candidates get on the path most quickly.

### **Institute a Talent Management Program**

What companies need is a talent management program that encompasses the following:

- Understand your current workforce.
- Understand your future talent needs.
- Get talent into the leadership pipeline.
- Establish developmental and training programs to give people the experiences they need to grow.
- Begin the transfer of knowledge now; five years from now the workplace is going to be very different. Companies are going to be out there trying to lure experienced workers back, maybe on a consulting basis or a part-time basis.
- Understand the individual needs; what is it that motivates people to stay on the job and work hard? What are they looking for out of a job? What will help companies retain their talent?

On the bright side, Gen X and Gen Y are not only going to be chasing money. They will be chasing things that corporations can do for them that don't cost a lot, such as:

- Mentoring.
- Help with developing a career track.
- Understanding the meaning of their work.
- Understanding how their work contributes to the overall organization.

The key to retention is for managers to become the great managers they should have been all along, continuously developing and mentoring their employees. Training must become regular and pertinent. Workers will develop true loyalty for an organization that sincerely appreciates and rewards their efforts.

### **TMC is uniquely qualified to counsel high tech and manufacturing companies**

Technical managers often do not do a good job of managing people, and it's going to be critical that they do if they're going to keep and grow the talent that they find. I understand that better than most people because of my personal experience in the hard-sciences.

I have been involved in management consulting for more than 20 years, having earned my Ph. D. in psychology following a productive career as a research biochemist. I have worked with the IT and R&D departments of numerous clients in a variety of technological industries.

I am uniquely qualified to work with the technology industry because I have lived on “the other side” – the technical side. I understand what that culture is like, and what the people who live in that culture are like. That gives me a unique perspective that is rare in the Twin Cities market. My credentials include:

- Management consultant
- Ph. D. in Psychology
- M.S. in Biology/Biochemistry/Microbiology
- Licensed psychologist
- Spent 18 years with MDA Leadership Consulting, Inc.
- Founded Talent Management Consulting, Inc. in 2005, now in our third year
- Practice is insured
- Published in two fields – biochemistry and psychology
- Practical work experience has been in the food, insurance, construction, education, transportation and health care industries, and the Peace Corps
- Adjunct assistant professor at the University of Minnesota
- Adjunct assistant professor at St. Mary’s University

**Is your company ready?**

If your company has not begun developing a Talent Management Program, don’t wait any longer. You need to capture the knowledge of current managers and technical experts before those professionals walk out the door.

**To discuss how Talent Management Consulting can help your company develop a Talent Management Program, contact Dr. Bill Handschin at [info@talentmci.com](mailto:info@talentmci.com) or 651-731-0211.**