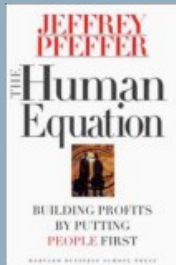


Abonar Newsletter



RECOMMENDED READING



Strategic Human Resources

Preparing for Generation Y

The need to attract and retain employees is a major concern for employers in Alberta and Saskatchewan. The resource economy has been very strong over the past few years and it has hired people who would have otherwise been employed by different sectors of the economy.

This trend will be worsened by the coming demographic shift. The Baby Boom generation is set to begin retiring in large numbers beginning in 2011, when the oldest Baby Boomers reach age 65. This will cause many companies to lose a sizable portion of their senior managers (and their experience) to retirement. This will cause a domino effect of Generation X people moving into management and Generation Y people moving into entry and mid-level positions in the organization.

There are disagreements about the exact boundaries of these demographic groups but Baby Boomers are generally thought to be born between 1946-1964, Generation X between 1965-1980, and Generation Y (or Millennials) between 1980-1995.

Employers are already finding that Generation Y employees are a different breed. They are not willing to spend a career trying to climb the corporate ladder. They will quit jobs and move from company to company as they pursue opportunities that are of more interest to them. Many people of this generation live with their parents for a longer period of time than previous generations have. This provides them with the financial

security necessary to support such a nomadic career path.

This generation is used to having input and independence, which creates friction in companies with traditional top-down management structures. They want flexibility in their schedules to better accommodate work and lifestyle. They are comfortable with technology and they have difficulty understanding why companies use technology that is dated compared with what they use at home.

The different expectations and needs of these workers can create friction with workers of older generations. Companies with cultures that are not a good fit for the wants of Generation Y workers, may find they have a high turnover rate among this group. All of these issues can lead to poorer performance of the company's workforce, which will likely lead to reduced company profit.

The response that has been taken by some multi-national companies to address the different attitudes of Generation Y workers has been to offer a wide variety of perks and pay incentives. A recent [New York Times article](#) discusses the perks that some law firms are offering to retain their younger employees. These can include lifestyle items as rewards instead of money. Some firms are giving away flat panel televisions, iPods and sports tickets. One firm even offers pet insurance.

Some of these companies think that by offering these perks and by getting creative with the way they pay bonuses to

employees, they are creating a strategy to deal with the needs of these new workers. As well intended as these actions are, they are not strategy, they are merely tactics. Strategy implies an overall plan designed to deal with a particular problem. Tactics are the steps in this plan or strategy that help to achieve the larger goal. In order for a company to be successful, it must have a human resources strategy that is aligned with the company's goals and the vision of its leadership. The innovative tactics discussed above can be useful in implementing the strategy but by themselves and without a larger plan, they are only band-aid solutions.

The question becomes, "How do I create a human resources strategy that satisfies the needs of my workers of all generations while most effectively meeting the goals of the business?" There is a small cottage industry of experts that have been creating books and materials aimed at teaching companies how to answer this question. However, it seems that many of them still want to focus on tactics instead of strategy.

In 1998, Stanford professor Dr. Jeffery Pfeffer published a book called "The Human Equation" and in this book he describes seven practices of successful organizations. Pfeffer came up with these practices from analyzing well researched studies of successful companies. Generation Y workers were not yet part of the work force when Pfeffer wrote his book but it is interesting to see how his recommendations for the general management of people answer many of the concerns relating to Generation Y workers. The seven practices are:

1. Employment security

Pfeffer found that in organizations that had regular layoffs, employees were not able to continue to perform at a high level. If an employee is constantly worried about losing his or her job in a round of layoffs, the incentive to work towards the long term goals of the company is eliminated. Generation Y workers are not afraid to change jobs and

it is not likely that they would stay in a company where their future was threatened.

This makes management of the size of the company's work force very important. Companies have to correctly forecast the demand for their product or service so that they will not make the mistake of hiring too many employees during good times only to have to lay them off when demand slows.

2. Selective hiring of new personnel

Pfeffer argues that employers should hire from the largest pool of people possible. The company has to have a very good understanding of what skills and attributes it needs. These skills and attributes must closely match the requirements of the particular job being hired and how the company sees itself in the world. People need to feel that the goals and beliefs of the company are compatible with their own. Pfeffer continues by saying that the company should select for basic ability and attitude instead relying solely on technical skills. The company can train new hires in technical areas much easier than it can attempt to change attitudes.

This attempt to find a better fit between employees and the work they do will appeal to Generation Y workers who are looking to work on something that matters to them. The ability to learn and improve their skills while they work will appeal to these highly capable yet inexperienced workers.

3. Self-managed teams and decentralization of decision making as the basic principles of organizational design

Pfeffer feels that team based decisions are better than decisions made by upper management in some instances. He feels that this gives each employee a more personal stake in the outcome. It also allows employees to put their ideas forward which results in better solutions to problems. Layers of management and administration jobs can be eliminated

with a team based system and this reduces cost for the company.

These teams fit in well with the collaborative nature of Generation Y workers. They have an opportunity to express their ideas and use their skills to influence the outcome. Generation Y workers have skills with technology that may be lacking in some companies. This team based approach allows them to share these skills for the benefit of all employees.

4. High compensation contingent on organizational performance

Pfeffer explains that organizations cannot claim their people are the most important factor in its success and then pay them at or below the average wage in the industry. Employees are very quick to pick up on this disconnect. He explains that bonus pay is very important because employees will see the connection between their performance and the performance of the company. It is important that these bonuses be based on the performance of the team and not the individual. Individual bonuses would cause competition within the team and this would hurt cooperation among its members.

Bonus pay for performance reinforces to the Generation Y worker that his or her contribution to the team is valued by the company. Offering competitive wages gives them less reason to want to look outside the company for better financial opportunities. It may seem like a bad idea to pay too much in salaries but the costs of attracting and training new employees can very high.

5. Training

It goes without saying that employees must have the skills to do their jobs but training has additional benefits. It signals to employees that the company is making a long term commitment to their well-being. Pfeffer warns that companies should be careful to not focus solely on specialized skills but rather they should include training in more general skills and the company's culture.



Generation Y workers are eager to advance their skills as they work towards their long term goals. They will have little incentive to stay with a company that doesn't make this commitment to them if they will feel they could be learning more with another company.

6. Reduction of status differences

Pfeffer writes that employees must feel valued before they will contribute their ideas. If a company takes steps to eliminate those things that create different classes of employees, each employee will feel more like an equal member. These differences can be reduced by symbolic moves such as changing job titles or creating a dress code that applies to everyone. It can also be reflected in individual pay. It is important that employees don't see the success that was gained by a group effort being given to a select number of executives in an amount they feel is unfair.

This appeals to Generation Y workers as they more clearly see themselves as equal members of the company's workforce. This further reinforces that their effort matters to the company. It also upper management more approachable which is important because it allows for direct mentoring of newer employees.

7. Sharing information

Pfeffer finds that information must be shared throughout the organization, whether it be financial or production data. It shows employees that they are trusted with the company's information and employees are more able to directly see the results of their efforts. If employees are trained to understand this information they can contribute ideas that will have a favourable impact on

results. Sharing information also spreads power throughout the organization instead of having it concentrated in the hands of management.

This further enhances Generation Y's need to be part of the action. It gives them more power and independence to make a meaningful contribution. Generation Y workers may be able to offer a unique perspective on this information due to their different outlook on the world.

There are no illusions that implementing a system based on Pfeffer's practices will be easy. Very few companies have successfully implemented a management system like the one based on Pfeffer's seven practices. Reasons for these failures vary from a lack of commitment by senior management to poor implementation of the practices.

However, those companies that have been able to implement these practices successfully have been able to create a sustainable competitive advantage. Maintaining competitive advantage is quite rare in an era where technology is relatively inexpensive and information on competitor practices is widely available. The very difficulty of implementing this system successfully is what makes it so hard for a competitor to copy.

This generational shift is coming whether companies like it or not. The company that starts making changes now to deal with the different attitudes of these new workers will have a leg up on its competition. Pfeffer's practices are effective at creating the environment that Generation Y workers expect, but most importantly due to the competitive advantage this strategy provides, it just makes good business sense.



We offer innovative and customized solutions to enhance organizational and business performance. We work together with our clients to turn ideas into successful business practices.

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