

Career development planning and the changing workforce

Why the transition
between different
generations of workers
makes it more important
than ever



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Executive summary

As the economy continues to improve after the long recession, today's companies are facing a number of workforce issues that seriously affect their performance and profitability; foremost among these is the problem of maintaining an experienced workforce in the midst of a generational shift of seismic proportions. The business world is at a significant crossroads today as massive numbers of Baby Boomers have started to retire. With the Boomer drain set to continue unabated over the next decade, one of the greatest challenges facing human resources managers is replacing the decades' worth of invaluable knowledge and skills possessed by experienced Boomers. How can you ensure your company is ready to overcome the dreaded skill gap so it doesn't falter and experience a significant drop off in productivity?

This white paper will examine the changing workforce, the skill gap crisis, the importance of managing and developing your workforce, and the most practical and effective ways to go about it.

The skill gap crisis and employee engagement

One element that is compounding the Boomer skill gap crisis is the extraordinarily high number of employees who feel unengaged when it comes to their job. Industry research has proven that there is a strong link between employee engagement and a company's financial performance. Engaged employees are more productive and loyal and provide better customer service, and research shows that they are far less likely to bolt for greener pastures. Yet a staggering 70 percent of U.S. workers are not fully engaged according to a recent Gallup workforce study.¹

The talent war is always ongoing, but as the Boomers retire, it's going to take on an even greater sense of urgency for companies, and those organizations that can retain their own talent by developing skilled, engaged replacements from within are going to have the inside track when it comes to long-term performance and profitability.

To overcome these challenges, top-performing companies are making investments in employee development programs and providing individuals the opportunity to perform at their best potential. The goal of career development is to match employee goals with business needs and foster engagement. If managed well, development programs can both improve an employee's current job performance and prepare him or her for future growth opportunities. It is critical for HR to help design career paths and to offer programs that help employees reach their goals, keep them engaged, and ensure the organization is ready to meet its objectives.

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¹ Lipman, V. (2013, September 23) Surprising, Disturbing Facts From the Mother of All Employee Engagement Surveys. Retrieved from <http://www.forbes.com/sites/victorlipman/2013/09/23/surprising-disturbing-facts-from-the-mother-of-all-employee-engagement-surveys/>

An article in Harvard Business Review noted, “Those organizations that invest more in talent management significantly outperform their competition across every measure of business—including earnings per share, gross profit margin, and market capitalization per employee.”² That’s a healthy return on employee investment (ROEI) by itself. ROEI is the return—in additional revenue earned or expenses reduced—that an organization earns on its investment in workforce-related expenses.

When looking at ROEI, your organization should also consider how a clear succession plan to replace retiring Boomers could drastically reduce employee turnover costs. Some sources estimate that it costs anywhere from 16–21% of an employee’s salary to replace him or her and that for executives it can be an astonishing 213% of their salary.³

It’s clear that talent management and career development are more important than ever before. Many organizations are using talent management solutions to help improve employee performance management. An effective talent management solution provides tools that support dialogue and review of employee performance and offer clear development paths and easier access to training activities. It also enables employers to then create talent pools to groom top performers for additional responsibilities or promotion.

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The importance of managing and developing your talent

A major concern of businesses today is getting and keeping the right talent. For example, the U.S. Department of Labor reports that U.S. manufacturing employs more than 12 million workers; however, according to a study by Deloitte LLP approximately 600,000 skilled manufacturing jobs remain unfulfilled.⁴

“If we can’t fill the skills gap, it’s going to be very difficult to be competitive in the global market,” said Ted Toth, vice president and managing director of manufacturing technologies at Rosenberger-Toth, which manufactures parts for satellites and cellphone towers.

It begs the question: With talent difficult to find in the first place, how can you develop it and then ensure that you keep it?

Employee turnover is a reality in every business. Plus, employees in the youngest generation—the Millennials—are highly mobile today. In order to remain competitive, your company wants and needs to retain its top performers. Two of the top reasons that experts list for employee turnover link directly to employee career development:

- Lack of career growth and advancement opportunities
- Lack of training

Employee turnover is a reality in every business.

2 Harvard Business Review, 2007

3 Boushey, H., Glynn, S. (2012, November 16) There Are Significant Business Costs to Replacing Employees. Retrieved from <http://www.americanprogress.org/issues/labor/report/2012/11/16/44464/there-are-significant-business-costs-to-replacing-employees/>

4 Peralta, K. (2014, May 7) U.S. Manufacturers Say Skills Gap Could Compromise Competitiveness. Retrieved from <http://www.usnews.com/news/articles/2014/05/07/us-manufacturers-say-skills-gap-could-compromise-competitiveness>

A robust talent management solution can serve as a remedy for employee turnover. Talent management refers to the process of developing and integrating new workers, developing and retaining current workers, and attracting highly skilled workers to your company. Examples of talent management include helping your employees to learn skills needed for new projects and challenges or a higher position in the company. Managers with poor leadership skills often drive away talented top performers, so providing management training is key to further improving retention. Businesses of all sizes can tie performance and learning together in order to build a more skilled and experienced workforce, keep critical roles filled, and keep engagement levels high.

Market studies reveal that integrated talent management solutions result in:

- 26 percent higher revenue per employee.
- 22 percent higher employee performance.
- 19 percent higher workforce retention.⁵

The challenge of career development

As technology continues to reshape how we live and work, how we view the world, and how we interact, think how much things have changed in the relatively short period since 2000. Now think how much things have changed socially, culturally, and technologically over the last six decades and how these changes have had an impact on the different generations over those 60 years. We now have four different generations in today's workplace—the tail end of the Silent Generation, the Baby Boomers, Generation X, and the Millennials—all with very different motivations, training preferences, management styles, work ethics, and values. A fifth generation, dubbed Gen2020 or Gen Z, is on the way.

Silent Generation	Baby Boomers	Generation X	Millennials
Before 1946	1946-1964	1965-1980	1980-2000

As the *Wall Street Journal* notes, “Managers are increasingly grappling with generational differences in their workforce. Problems can arise from differing mindsets and communication styles of workers born in different eras.”⁶ These generational differences can potentially cause misunderstandings and affect turnover and create difficulty in attracting employees and gaining employee commitment.

These generations do have at least one thing in common when it comes to engagement: a desire for career enhancement. As discussed before, employees often leave their jobs in part due to a lack of career growth and training. Additionally, engagement research has taught that: “Employee engagement rises when people experience a combination of effective and caring leadership, appropriate development opportunities, and a feeling of empowerment that comes with the ability to control one’s work situation.”⁷

Did you know?

It is worse to give employees no feedback at all than to provide negative feedback. The feeling of being ignored leads to employee disengagement.

Source: workforce.com

5 Rice, A. (2012, May 15) Integrated Talent Management: What Is It and Why Should You Want It? Retrieved from <http://www.ere.net/2012/05/15/integrated-talent-management-what-is-it-and-why-should-you-want-it/>

6 How to Manage Different Generations. Retrieved from <http://guides.wsj.com/management/managing-your-people/how-to-manage-different-generations/>

7 Towers Watson Global Workforce Study

Baby Boomers have been in the driver's seat in the workforce for some time now. As the metaphorical changing of the guard gets under way, the Department of Labor estimates that approximately 4 million Boomers are leaving the workforce annually to be replaced by Millennials with less than ten years of experience.⁸

"Boomers are the most skilled segment of the workforce, so as they exit, that will put downward pressure on labor productivity," says Neil Dutta, an economist with Bank of America Merrill Lynch.⁹

In fact, as more Boomers retire, the U.S. may have 4 million more jobs than workers to fill them by 2018, according to a 2012 report from the Society for Human Resource Management.¹⁰

Forward-thinking companies that are able to prepare for this Boomer drain and transfer the knowledge of their older workers and prepare younger workers for this transition will have a competitive advantage in the future.

What does all this mean for employers? Basically, you need to revisit your traditional methods and tailor them to attract multiple generations of talent. Instead of relying on career fairs, consider building a social networking strategy for recruiting. Implement innovative learning programs to train younger employees. An article in Harvard Business Review asks, "Are you preparing your leaders for the next generation of employees? Do your leaders have the skills and tools needed to communicate with the hyper connected, who are used to rating everything and everyone in their lives?"¹¹

Employers who offer effective training programs will win the battle for young talent. "Millennials are hungry to learn and don't want to be boxed in to a single role. They want new skills and the opportunity to try new things," reports CIO Magazine.¹²

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What makes a successful career development plan?

According to a study conducted by market research firm The Aberdeen Group, three out of the top five challenges faced by today's businesses are related to workforce issues. These include addressing a shortage of skills, retaining top performers, and the ability to identify key employees. Your talent management program should address these areas:

1. **Skills growth and training:** Giving employees the right skills to perform current tasks, while preparing them for future challenges, positively impacts productivity and bottom line results for your business. Ensuring your workforce is ready to meet your business objectives is imperative to the overall health of your organization.

8 Kessler, G. (2014, July 24) Do 10,000 Baby Boomers Retire Every Day? Retrieved from <http://www.washingtonpost.com/blogs/fact-checker/wp/2014/07/24/do-10000-baby-boomers-retire-every-day/>

9 Julie Halpert, "Could Millennials Spawn a Productivity Crisis?" The Fiscal Times, May 23, 2012

10 Sheehan, D. and Landauer, B. (2014, July 12) Companies Brace for Silver Tsunami as Baby Boomers Retire. Retrieved from http://articles.mcall.com/2014-07-12/news/mc-lehigh-valley-aging-20140712_1_baby-boomers-retirement-age-state-employees

11 Jeanne C Meister and Karie Willyerd, "Are You Ready to Manage 5 Generations of Workers," Harvard Business Review HBR Blog Network, October 16, 2009

12 Thor Olavsrud, "Tips on How IT Leaders Can Attract (And Retain) Millennials," CIO.com, July 20, 2012.

2. **Alignment with business goals:** Ensure your business is aligned around its strategy and employees clearly know what is expected. If employees are not working on the right tasks, a strategy's potential can be lost due to poor alignment. SMART goals can be tracked and linked to organizational goals in your talent management solution so that employees can see how their work impacts the larger business.
3. **Increasing job responsibility:** Set employees up for success by assigning jobs that take advantage of their strengths and skills, but are also challenging. A recent article in CIO notes that "providing a social environment with the right combination of new challenges and opportunities to learn new skills will engage Millennials and entice them to stay."¹³
4. **Rewarding top performers:** Develop guidelines for employee recognition that motivate your employees to do a better job and reward top performers. Your program should reflect the company's goals and foster a positive work environment that encourages learning and development.
5. **Succession planning:** Make sure your company is ready in case a vital manager or executive leaves unexpectedly. Create a pool of employees that have the right skills and knowledge to step into key roles and avoid lost productivity.

Implementing your career development plan

The effectiveness of employee management has a direct impact on business results and your ability to compete in today's challenging economy. It starts with the recruiting and on-boarding process and continues throughout your employee's service with the company. In order to be successful, you must:

Develop a strategy. Start with a clearly defined career development plan. Begin by identifying the skills that are needed right away and those you will need to support the future success of your business. Then create training programs to build the skills needed for your organization's success and the employees' success in your business.

Provide support. With clearly defined goals in hand, make sure you set your employees up for success. A talent management system can be useful to assess employee skill sets and assign the appropriate tasks that take advantage of these skills. Make sure employees have the right tools and training they need to achieve their goals.

Leverage technology. Investing in an HRMS system, integrated with full performance and learning management tools, is an investment in your employees. It can help you automate performance reviews and ensure employees are aligned and developed for maximum productivity. Talent management tools can help you deliver highly targeted training of any kind and ensure that learning initiatives actively address skill gaps and goals.

Measure results. Typically, businesses using performance management software enjoy an increase in the percentage of high performers and an improvement in productivity.

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¹³ Thor Olavsrud, "Tips on How IT Leaders Can Attract (And Retain) Millennials," CIO.com, July 20, 2012.

You will also see measurable results on your company's ROEI in three areas:¹⁴

- **Cost savings:** The automation of manual processes saves time and the increased focus on talent management reduces turnover.
- **Revenue growth:** You will more easily identify the best internal candidates for open leadership jobs and position your company for success.
- **Improved employee productivity:** Better talent management enables your organization to retain more high performers, thus improving productivity.

The bottom line

With predictions of skills shortages and a mass departure of experienced Baby Boomers from the workforce under way, attracting and keeping key talent is a major concern of business owners and HR leaders everywhere. Without the right employees, businesses will suffer losses in productivity and ultimately earn smaller profits. Research indicates that companies that neglect employee training and career growth opportunities experience higher turnover and lower levels of employee engagement.

Replacing employees is expensive, and unexpected departures can disrupt important business projects. In order to retain top performers and develop employees for future challenges, it is critical to implement a career development plan that appeals to all generations in the workforce. Linking personal performance and learning goals to organizational goals can help you build a more skilled workforce, optimize productivity, keep critical roles filled, and improve engagement levels.

As the workforce continues to transition between different generations of workers, career development is more important than ever. Organizations that make proactive career development part of their integrated HRMS and talent management strategy will reap the benefits of higher employee retention, loyalty, productivity, and long-range workforce health. HRMS and talent management solutions can help keep employees engaged and deliver the analytics to help managers and executives examine trends, support business decisions, and plan for future organizational changes. Companies that make that investment in their employees will be rewarded with increased competitiveness and long-term success.

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About Sage

Sage is committed to supporting small and medium-sized companies by developing solutions that create greater freedom for them to succeed. For more than 30 years, we have been a leader in the development of Human Resource Management Systems (HRMS) and payroll software.

For more information about our products and services, visit: SageHRMS.com

¹⁴ ROEI: Return on Employee Investment. How to Achieve It and How to Benefit From It. A Sage Employer Solutions White Paper, 2011.

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