

## BUSINESS AND AGING

# WHY CEOs AND HR EXECUTIVES NEED A NEW WORKFORCE STRATEGY

Has anyone in American business not heard about the aging of the workforce? Business leaders are told regularly that they should be preparing for the coming shortage of new workers. Yet, as Ken Dychtwald, Tamara J. Erickson and Robert Morison state in their new book, *Workforce Crisis: How to Beat the Coming Shortage of Skills and Talent* (Cambridge, Mass.: Harvard University Press, 2006), "Few large organizations are really preparing for this transformation of the workforce. While marketers are starting to target an older population of consumers, managers are still encouraging mature employees to retire early. Big mistake." In the following adaptation from *Workforce Crisis*, printed here by permission of the authors and the publisher, Dychtwald and his colleagues provide an overview of strategies for corporate management.

By **KEN DYCHTWARD,**  
**TAMARA J. ERICKSON**  
and **ROBERT MORISON**

As we explore the changing workforce, remember that the problems are bigger than we imagine. We've never had such an older age mix in the workforce or a generation as large as the boomers preparing to retire. The growth rate of the labor force has never dropped so precipitously or stayed so low before. We've never before relied so heavily on intellectual rather than physical labor. We simply cannot anticipate all of the additive effects of these trends.

At the macro level, we cannot avoid skills and worker shortages entirely, but these shortages are inevitable only for organizations that fail to anticipate workforce changes and adjust in time. Since these changes are largely predictable and imminent, organizational leaders must start planning now. The worst sin is doing nothing. The good news is that our research indicates the management techniques needed to accommodate tomorrow's workforce mix can be applied now to improve business performance, cost structures and employee retention. By overhauling employment practices now, thereby distinguishing yourself in the labor market and ensuring your own talent supply, your company can lessen, or avoid altogether, the inevitable disruptions of workforce change.

### WHO OWNS THE CHALLENGES?

Who owns this issue? Who is responsible for an organization's talent supply? Two people primarily: the CEO and the head of human resources (HR). As the integration point of an enterprise and the person responsible for its overall performance and sustainability, the CEO sets the organization's direction and goals and then makes sure that the organization has the business model, processes and assets—including capital, facilities, technology and people—to meet those goals. Depending on business conditions, the CEO may focus on different resources, for example, by securing cash flow and capital in recessions or updating technology and production facilities during expansions. We believe that over the next five years the CEO must address these people issues and talent supply.

Some CEOs make human resources a



Authors Ken Dychtwald, Tamara J. Erickson and Robert Morison

top priority, but most don't. General Electric is renowned for its investment in developing the performance and potential of its top layers of management—and insisting that these managers do the same in their parts of the business. The result is a cascade of attention to talent—especially the high performer—and the assignments and challenges that will stretch their capabilities. Beyond leadership development and succession, CEOs today should monitor the changing demographic composition of their workforces and recruiting pools. They should understand the overall flow and bottlenecks of talent throughout their organizations, as well as how the corporate brand attracts or repels employees and prospects alike. Most fundamentally, CEOs should insist on a coherent, forward-looking workforce strategy that maintains the talent supply during turbulence and shortage.

To jump-start the development of that strategy, the CEO and executive team must own these challenges visibly and collectively because many of the tactics that will serve and appeal to present and future employees will require breaks from past practices and ingrained attitudes. Programs as fundamental as flexible work arrangements often require the genuine commitment of senior leaders before the rest of management will embrace and support them.

CEOs oversee the overall resource mix but rely on functional managers to supervise categories of resources—money, people, technology—and executives to deploy these resources effectively. So the second owner of this challenge is the HR executive, who must develop and execute the right workforce policies and practices. To synchronize the HR strategy with the enterprise's overall business strategy, HR executives must provide expert, enlightened counsel to the CEO and executive team on all workforce matters. They must oversee the redesign and execution of the processes of employee recruiting, development, administration and retention. In short, the HR staff maintains and develops the organization's human assets to provide the right talent in the right place at the right time.

However, given mounting demographic pressures, HR executives today must do more than ensure the cost-effective execution of HR processes. First, to anticipate and implement necessary changes in HR management practices, they must assess how workforce compo-

sition and employee preferences are changing. Second, they must obsess over what's happening at the intersection of workforce and business strategies. As jobs have grown more information intensive, more technically demanding and more complex, the relative value of skills and talent in the business asset portfolio has steadily risen. The stakes grow higher still as companies face a prolonged period of skills and labor shortages. The HR executive must articulate how the composition of the organization's workforce will enable or impede business success and what to do about it.

Responsibility for ensuring the enterprise's talent supply rests on the CEO and the HR executive but is shared broadly. The CEO shares responsibility locally with every general manager and any

manager responsible for the complete mix of business resources—money, facilities, people and technology. Each general manager must understand the changing composition not only of the customer base but also of the local workforce, how those changes influence performance, and how the local organization can best participate in and contribute to the flow of people, experience and skills across the enterprise.

### LEVERAGING DEMOGRAPHICS

Workforce diversity means a greater range of backgrounds, perspectives and approaches to decision making, problem solving and creativity. How can you leverage these assets in product development and process improvement? On project and development teams, for example, you could enhance performance by mixing the experience of long-tenured employees with the fresh viewpoints of newcomers or by combining workers with very different backgrounds, experiences and viewpoints.

According to our research, organizations can improve short-term human resource performance—including higher productivity and lower turnover—by implementing progressive workforce management practices sooner rather than later. The time is now. ♦

*Ken Dychtwald is the founder and CEO of Age Wave, based in San Francisco. Tamara J. Erickson and Robert Morison are, respectively, an executive officer and the executive vice president of The Concours Group, an international consulting firm on workforce issues.*

## A CHECKLIST OF HR TRENDS

Based on our synthesis and analysis of today's workforce demographics, we recommend that employers begin preparing for the following changes to safeguard their talent pool:

**Aging.** The average age of employees will continue to rise, and the workforce will become more multigenerational. Proportionately, mature workers are the fastest-growing age segment, and large employers can expect to double their percentage of workers 55 or older during the next five to 10 years.

**More women.** The proportion of female workers, already high, will continue to rise slowly.

**More ethnic diversity.** By demographic standards, the racial and ethnic mix is changing very rapidly, with ethnic and racial minorities now accounting for one-third of younger workers.

**Increasing lifestyle and life-stage variety.** People are no longer "acting their age." Their life plans are no longer linear and predictable. They differ wildly in how they integrate work and other pursuits into their lives.

**Tightening labor markets.** As the rate of labor force growth plummets to 2% to 3% per decade, labor markets will tighten and competition for talented people will intensify.

**Shortages of skills and experience.** As the boomer generation reaches retirement age, organizations face a potentially debilitating brain drain of skills and experience.

**Shortages of workers.** Overall demand for workers is already beginning to exceed supply. The gap is projected to grow to millions—perhaps tens of millions—of workers, with potentially profound effects on economic output and standard of living.

**Shortages of educated candidates.** Despite continuing progress in average educational achievement, colleges will graduate too few candidates to fill the number of technical, information-intensive, judgment-intensive jobs available five years from now.

**Pressure on training and development.** Employers must not only encourage employees' continuing education but also provide that education directly to maintain needed skill levels.

**Tension around HR policies and practices.** The whole range of management practices—compensation, benefits, and especially work arrangements—must appeal to the new workforce and accommodate the expanding variety of workers' needs and preferences.

**Strain on organizational coherence.** As the workforce diversifies and disperses—adopting flexible schedules, telework, and other technology-enabled arrangements—leaders must find new ways to cultivate and nourish organizational culture and identity. ♦

—Ken Dychtwald, Tamara J. Erickson and Robert Morison