

A **MotivAction** White Paper



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16355 36th Avenue North, Suite 100
Minneapolis, MN 55446
800.326.2226
www.motivaction.com

Executive White Paper

Coming of Age: How Generational Diversity Impacts Employee Recognition

By Janet North, Director-Business Development, Recognition & Incentive Systems
jnorth@motivaction.com

Workforce transformation and the predicted impact of the “Boomer brain drain”

Much has been written about generational diversity in the workplace—including the impact that the retirement of the more mature generations, particularly the Baby Boomers, will have on corporate America. With one-fifth of the current American workforce reaching retirement age by 2020, an estimated 25 million people are poised to leave the workforce. This mass exodus will not only create a shortage of skilled workers to fill jobs—one Bureau of Labor Statistics estimate puts the shortfall at 2.3 million by 2014—but it will precipitate a “boomer brain drain” that will be felt for decades.¹ In fact, Towers Perrin estimates that 60% of professional jobs will require skill sets possessed by only 20% of the workforce.

The ramifications of the impending Boomer workplace exodus are massive and beyond the scope of this white paper. Putting focus on what’s happening today, four generations co-exist in the workplace—each with distinct values, preferences, lifestyles and attitudes. Forward-thinking companies are already examining and adjusting their employee recognition, training, development and human capital practices in order to attract, engage and retain high potential employees.

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Meet the Generations

A “generation” is defined as a group of people who were born during a particular era and who shared similar experiences when growing up. While categorization of the generations varies slightly by source, researchers have generally divided today’s workforce into four generational segments.²

By role, *Traditionalists* and *Baby Boomers* currently hold 95% of the executive leadership roles and more than two-thirds of the management positions in corporate America.³ This statistic reinforces the need for succession planning that includes coaching, mentoring, training and career development to properly prepare up-and-coming *Gen X* and *Gen Y* employees for senior leadership positions.

	In the Workplace	In the Marketplace
Traditionalists 1910 – 1945	<ul style="list-style-type: none"> • Loyal to employer and expect the same in return • Possess superb interpersonal skills • Feel promotions, raises and recognition should be based on tenure • Measure work ethic on timeliness, productivity and not drawing attention 	<ul style="list-style-type: none"> • Have great faith in the nation’s institutions • Demand quality over speed and efficiency • Loyal customers yet not afraid to shop around • Willingly follow the rules that have been established
Baby Boomers 1946 - 1964	<ul style="list-style-type: none"> • Believe in, champion and evaluate themselves and others based on their work ethic • Work ethic is measured in hours worked—measuring productivity in those hours is less important • Believe teamwork is critical to success • Believe relationship building is very important 	<ul style="list-style-type: none"> • Interested in products and services that will allow them to regain control of their time • Want customized products and services • Believe in rules unless they are contrary to what they want; then they’re to be broken • Want products and services that will indicate to peers that they are successful

1 CFO Magazine; February 15 2006: The Retirement Age, Baby Boomers will soon be leaving the workforce in droves. Are you ready to replace them?

2 Marston Communications

3 Fortune Magazine; January 20, 2006

Gen X
1965 - 1978

In the Workplace

- Eschew the hard-core, super-motivated, “do or die” Baby Boomer work ethic
- Want open communication regardless of position, title or tenure
- Respect production over tenure and value control of their time
- Invest their loyalty in people, not companies

In the Marketplace

- Can spot a phony a mile away
- Rely on peer-to-peer referrals more than any other generation
- Embrace technology as a way to maintain control of their lives
- Want multiple options and to be in control of the sale

Gen Y
1979 - 1988

- Want open, constant communication and positive reinforcement from their boss
- Find working with someone of the more mature generations easy to do
- Seek jobs that provide personal fulfillment
- Are searching for ways to shed the stress of their lives

- Want to be like their peers with a unique twist
- Don't want to be hurried
- Will consider a company's products if the company is known for their altruistic attitude
- Are loyal customers
- Search for the unique and hard to find items

While the mature generations currently reign when it comes to management positions, nearly 60% of the professional workforce is *Gen X* or *Gen Y*. Generally speaking, the younger generations favor flexibility and appreciate more say in how and when work is done. Since an organization’s management team ultimately creates the rules, policies and recognition practices for the entire organization, it’s critical that corporate leaders look beyond themselves and their personal values when designing company policies and practices. This includes evaluation and design of meaningful incentive and recognition programs—an organizational differentiator once the competition for skilled, high potential employees gets fierce.

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Re-engineering Employee Recognition

As the workforce demographics shift, so must recognition practices. Employee recognition is undergoing a fairly radical transformation as organizations look to become more systematic, consistent and compliant with regulations. Further, forward-thinking companies are striving to make recognition more meaningful and motivating, especially since recognition is a key driver of workforce engagement.

Consistency
Control
Choice
Communication

From a systematic standpoint, there’s no question that the financial tracking and control requirements associated with Sarbanes-Oxley are now impacting most organizations’ recognition practices. Public and private companies alike are clamping down. Gone are the days when managers kept a drawer full of gift certificates to distribute to employees in a discretionary manner. *Consistency* and *Control* requirements are banishing this practice.

Perhaps the biggest challenge—and opportunity—brought about by today’s workplace diversity is the need for more *Choice* when it comes to awards and recognition. Corporate Meetings & Incentives magazine states, “As winners grow more diverse and the divide between generations becomes more pronounced, choice in both travel and merchandise incentives will become the way to drive results.”⁴

⁴ Corporate Meetings & Incentives Magazine; November 1 2005: Let Them Choose

People have unique tastes and preferences and ultimately want the ability to choose what's meaningful to them. Essentially, "trophy value" is determined on an individual basis more than in the past. What's desirable to a *Baby Boomer* on the brink of retirement may seem passé or de-motivating to a *Gen Xer* who devours the latest electronics and media—and vice versa.

Research is also emerging to suggest that traditional recognition may not be the ultimate motivator among the younger generations. Fortune magazine states, "As for the old-fangled idea of paying one's dues in a dull job before moving up to something sexier, forget it: 77% of *Gen Xers* say they'd quit in a minute if offered 'increased intellectual stimulation' at a different company... The top three things *Gen Xers* want in a job are positive relationships with colleagues, interesting work, and continuous opportunities for learning."⁵ For this reason, organizations should not discount training, mentor programs and career development opportunities as forms of recognition—particularly with *Gen X* and *Gen Y* employees.

Rounding out the new rules in employee recognition is *Communication*. Organizations must communicate what they expect from employees so they understand how to earn recognition. Further, regardless of generational association, people are people. Communication that is heartfelt, public and timely, yet personal, carries tremendous value and appeals to people on an emotional level.

Workforce Engagement and Wall Street

Employee engagement is not a passing fad. In fact, its significance is on the rise at the strategic planning table—mainly because the impact of engagement is becoming increasingly measurable.

Workforce engagement is "the extent to which employees put discretionary effort into their work, in the form of extra time, brainpower and energy."⁶ Additionally, research from organizations like Towers Perrin, Hewitt Associates, Gallup, Watson Wyatt and Denison Consulting continues to suggest strong positive correlations between workforce engagement, customer focus, revenue growth and a company's overall financial performance.

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Engaged, satisfied, productive employees create satisfied, loyal and profitable customers.

- According to a Hewitt Associates study, employee engagement levels at companies categorized as "high-growth" exceed those of lower growth companies by more than 20%.
- Watson Wyatt found the stock prices of companies with high employee trust levels outperform companies with low trust levels by 186%.

Gallup research reveals that the longer an employee stays with a company, the less engaged he or she potentially becomes. That decrease in engagement is very costly for businesses. Gallup estimates that actively disengaged employees cost the American economy nearly \$350 billion annually in lost productivity.

⁵ Fortune Magazine; January 20, 2006

⁶ Performance Assessment Network

Workforce engagement has indeed found its way onto Wall Street. More and more, brokers and analysts are incorporating a company's engagement statistics into their decision making. Where, in years past, compensation was the ultimate motivator at work, today multiple factors influence engagement—including a total rewards and recognition strategy. With shifting employee demographics and a new life-work philosophy, the most successful organizations will embrace the changing dynamics, remain flexible and realign their human capital and recognition practices.

About MotivAction

MotivAction, LLC is a 32-year veteran in the recognition and incentive industry. Headquartered in Minneapolis with offices in Boston, Chicago and Phoenix, MotivAction is on the leading edge when it comes to employee recognition, thought leadership and execution. They are also the most decorated agency internationally by the Society of Incentive & Travel Executives (SITE) for creative, results-based incentive and recognition programs. Core products include *Recognition Platforms & Awards*, *Learning Solutions* and *Travel & Event Services*. MotivAction is uniquely suited to very effectively address generational diversity in the workplace with a proprietary online awards and recognition suite featuring over 3 million items that mirror the latest retail trends.