By Adwoa K. Buahene and Giselle Kovary

Successful Human Capital Risk Management Requires a Generational Perspective

INTRODUCTION

In the recent past, organizations have come to recognize that risk management should include analyzing and minimizing human capital risks. "Human capital risk management" has been slow to imbed itself within the vernacular of senior leaders. It has been even slower to translate into consistent operational practices that are owned not just by the human resources department, but also by every business unit. A survey by The Economist Intelligence Unit reported that, in 2007, only 25 per cent of respondents found that there is successful integration between the risk function and human resources.[1] Today, many forward-thinking organizations are digging deeper and realizing that people are at the core of each major risk—if not as part of the problem, then as part of the solution.[2]

LAYERING ON A GENERATIONAL APPROACH TO HUMAN CAPITAL MANAGEMENT

Human capital risk management is a much more complex challenge than overcoming the obstacles of an aging workforce and small labour pool. A finer analysis quickly demonstrates that leaders must take into account that the workforce is not homogeneous. A lot of good work has been done to recognize and positively harness gender and ethnic diversity. However, another layer of analysis is required. In today's complex and dynamic market, understanding, embracing, and learning to manage the negative risks associated with a multigenerational workforce—while harnessing the positive risks—results in a competitive advantage. In the last 10 years, organizations have moved from raising awareness of the four generations, to actively incorporating multigenerational perspectives into the planning and executing of human resources and operational strategies.

THE FOUR GENERATIONS

- **Traditionalists:** 1922–1945
- **Baby Boomers:** 1946–1964
- **Gen Xers:** 1965–1980
- **Gen Ys:** 1981–2000

These four generations are classified as a cohort, based on demography and sociology. The life-defining, socio-economic, historical, and technological events—which the members of each cohort experience—bind them together, resulting in similar values, behaviours, and expectations. (For a brief review of the generational cohorts, please refer to Table 1.) Mistakenly, people believe that because one cohort demonstrates a particular value the other generations don't possess that same value, if it isn't expressed in the same way. For example, since Traditionalists demonstrate fierce loyalty to an organization, Gen Xers and Gen Ys are often judged as disloyal to employers. Or, the fact that Baby Boomers are renowned for their dedication to long hours at work means that Gen Xers and Gen Ys must not have a work ethic, as they generally won't commit to the same number of hours consistently without a direct return on their time investment. To fully understand the generations, and how each cohort inherently brings both positive and negative risks to the workplace, organizations must deepen their understanding of how different generations impact workplace performance**.** It is not the case that the four generations have different values, but it is the case that they define the values differently and demonstrate those values through different behaviours and expectations. All four generations are loyal, respect authority, want a successful career, have a work style (work ethic), embrace change, and collaborate well in teams. However, the way in which each cohort defines, behaves, and demonstrates expectations related to these concepts differs greatly.

1 Economist Intelligence Unit, *Best Practices in Risk Management*.

2 Deloitte, *People Risk Is Risky Business*.

Table 1
The Four Generations

	TRADITIONALISTS	BABY BOOMERS	GENERATION X	GENERATION Y
	1922–1945	1946–1964	1965–1980	1981–2000
Life-Defining Events	Great Depression, WWII, Korean War, rise of labour unions	Civil rights movement, Cold War, Quebec crisis, Trudeau era	Personal computers, AIDS, corporate downsizing, fall of Communism	Digital age, reality TV, attacks of 9/11, corporate and government scandals
Attitudes and Values	Loyalty, dedication, sacrifice, honour, compliance, hard-working	Personal growth, youthfulness, equality, ambition, collaboration	Independence, pragmatism, results-driven, flexibility and adaptive	Confident, optimistic, civic-minded, innovative, diversity-focused, techno-savvy
Goal	To build a legacy	To put their stamp on things	To maintain independence in all areas of their life	To find work and create a life that has meaning

Source: Adwoa K. Buahene and Giselle Kovary, *Loyalty Unplugged: How to Get, Keep & Grow All Four Generations*.

In fact, the four generations even approach the concept of "risk" differently. To understand how to manage "people risk" effectively requires a thoughtful analysis of the impact that generational identities have on workplace performance.

NOT GETTING IT RIGHT: NEGATIVE RISKS

From recruitment to talent management to succession planning, leaders of all levels need to understand the potential organizational risks of not responding to the generational cohorts appropriately. Responding effectively is a form of reputation risk management that has been identified in a survey of senior executives as a key objective of risk management.[3] Gen Ys are known for their pack mentality (they want to work

3 Economist Intelligence Unit, *Best Practices in Risk Management*.

Generational Concept of Risk

The level of risk tolerance is very different between the generations. This is not as a result of any predisposition, but rather it is the result of exposure to rapid changes and disruptive technologies like the Internet. Gen Xers and Gen Ys generally have a higher risk tolerance than their Baby Boomer and Traditionalist colleagues. The dot-com era saw many Gen Xers take risks and become enormously financially successful at a young age. While each generation has had its share of successful entrepreneurs (from Ford to Facebook's Zuckerberg), the perception today is that being entrepreneurial is much easier than it has ever been before. Universities teach courses in entrepreneurism, associations are designed to help young entrepreneurs succeed, and we have a culture of entrepreneurism that is celebrated in the popular media, through TV shows such as *Shark Tank* and *Dragons' Den*.

Another factor that has contributed to a higher level of risk tolerance for the younger generations is the fact that they are the beta-generations. They grew up during an era where companies, such as Microsoft, released beta-versions of software and relied on user groups to help them improve it. As a result, the younger generations tend to adopt an 80/20 rule. If a project, policy, process, or procedure is 80 per cent of the way complete, it is ready for public release, and the last 20 per cent can be fixed after going live.

Contrasting this, Baby Boomers grew up in a world that demanded perfectionism. Raised and managed by Traditionalists who were extremely detail-oriented, being perfect was a way for Baby Boomers to differentiate themselves from each other. In a highly competitive workplace, perfection was required to move up the organizational ladder. This meant that the tested-and-true approach was preferred over new and potentially risky ideas due to this generation's fear of failure and imperfection.[1]

1 Kovary and Buahene, *Upgrade Now: 9 Advanced Leadership Skills*.

with their friends and with other peers) and their strong loyalty to their pack. Their behaviour of instant, frank, and open communication means they are quick to share their opinions publically about your company and customer brand.

This type of communication between Gen Ys—shared publicly across the Internet—may include information that your organization would prefer to keep confidential. For example, if the organization (or the leader) is spoken about negatively, then the organization will have difficulty recruiting the right candidates, incur increased turnover, and risk broader negative perceptions of the brand. Naturally, the flip side is that if an organization (or leader) is perceived by Gen Ys as a great place to work, then recruitment—both internal and external—will be easy, and one can use the pack to improve brand reputation. "Not getting it right" costs money through increased costs to hire, bring the employee to maximum performance level, and engage employees. These costs have a deeper bottom-line impact as they result in a loss of productivity, decreased client satisfaction, and customer retention.

GETTING IT RIGHT: POSITIVE OPPORTUNITIES

"Getting it right" means engaging a multigenerational workforce, which leads to opportunities on both a human capital and operational front. The more organizations that are able to respond effectively to generational expectations, the greater their ability will be to recruit, retain, and improve the engagement levels of all employees. Recognizing the need to uncover talent in every area of the labour market, 56 per cent of respondents said that their companies may launch internal diversity or inclusiveness initiatives aimed at Gen X and Gen Y employees (11 per cent); Baby Boomers (6 per cent); or the entire organization (39 per cent).[4] From an operational standpoint, harnessing the strengths of each generation can lead to improved communication, project management, innovation, and creativity. In turn, this can result in process improvements, decreased COGS (cost of goods sold), and increased profits. Baby Boomers, who might be eligible to retire soon, still want "to put their stamp on things"—they want to continue to work on projects that will produce organizational results and add value. Gen Xers, who are extremely results-focused, ensure project efficiency by encouraging team members not to be distracted by tangential interferences. Gen Ys, who are hyper-collaborative and technology-savvy, will research the most effective methods to complete projects and help colleagues to achieve team goals.

GENERATIONAL DIVERSITY AND LEADERSHIP

Acknowledging generational diversity is acknowledging diversity of thought. The four generations approach problem-solving and achieving desired results differently. Strong leaders are able to marshal this diversity into a cohesive, forward-moving team that achieves business results. An effective leader must act like a chess master. The leader has to understand the strength of each chess piece—what it can and cannot do—and then use strategy to mobilize the team to secure a win. In organizations that conduct engagement surveys, it is those leaders with highly engaged teams who have the best key performance indicators. Naturally, leaders who are not successful at engaging their employees are at risk of having a dysfunctional team where communication is poor and turnover is higher.

4 Fouad, *Managing Today's Global Workforce*.

HOW TO MITIGATE GENERATIONAL RISKS: FIVE ORGANIZATIONAL TIPS

1. Analyze first-year voluntary turnover data. If it is heavily weighted by one generation, there is a causal reason.
2. Analyze the labour pool available to fill current and future business needs. Are your recruitment practices and processes able to attract from that pool?
3. For your workforce planning strategies, design leadership programs that ensure business continuity after retirement.
4. Create succession planning strategies that are based on short time frames with the possibility of filling positions both internally and externally.
5. Conduct an in-depth social media analysis of your organization's brand reputation to understand what the younger generation employees and clients are saying.

HOW TO MITIGATE GENERATIONAL RISKS: FIVE LEADERSHIP TIPS

1. Accept accountability for your role as the front line of defence to retention and engagement issues by understanding the risks of leading a multigenerational team and how to respond to generational expectations appropriately.
2. Leverage the positive skill sets of each generation in your operations.
3. Encourage team members to understand each other's work styles.
4. Create information-sharing, informal, mentoring networking opportunities across the team.
5. Use the generational differences in perceptions of "risk" to evaluate your operations. Ask team members to identify risks from their viewpoint.

CONCLUSION

Being able to recognize risk within the function of recruiting, retaining, and engaging employees is becoming increasingly a critical function within any organization. This task cannot just rest on the shoulders of HR—it is the accountability of every senior leader and every business unit manager. While the product you sell or the service you provide may not be "people," you cannot sell or provide service without "people." Thus, human capital is fundamental to the growth and success of every organization. By recognizing that your human capital comprises multiple generations—who have varied values, behaviours, and expectations—you are taking a more sophisticated approach to managing human capital.

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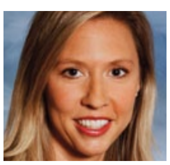

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Adwoa K. Buahene and Giselle Kovary are the co-authors of Loyalty Unplugged: How to Get, Keep & Grow All Four Generations *and* Upgrade Now: 9 Advanced Leadership Skills. *As well, they are co-founders of n-gen People Performance Inc. (www.ngenperformance.com). Since 2003, they have been the pioneers—and continue to be the leading experts—on how generational identities impact workplace performance. They are highly sought-after speakers and facilitators, working with organizations in Canada, the United States, Europe, China, India, and Singapore. To develop plans to engage employees and customers, medium- and large-size organizations turn to these authors and facilitators to support their C-suites, leaders, and business units. National, regional media, trade, and industry publications solicit interviews and seek guidance from Giselle and Adwoa because of their strong academic backgrounds and exceptional business acumen.*

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