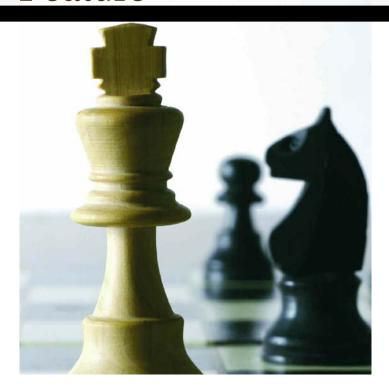# Welcome to the Economic Recovery…your Move!

By David Alhadeff, PricewaterhouseCoopers

As our nation and the global economy recovers from a challenging downturn, business executives are taking stock of their existing workforce and assessing their ability to deliver on the new strategic objectives of the company. Like a chess master pondering his next move while carefully studying the board in front of him, the game clock to his left and the eyes of his opponent, the business leader is similarly considering a number of business drivers and competitive forces that will have a meaningful effect on the success of his "team." If there is one variable that perhaps causes the chess player less angst than the rest, it would probably be the tendencies and aspirations of his own team members.

The master would purport to know what his rook can and cannot accomplish; the ultimate potential of the bishop, the goals and aspirations of his open pawns, and all options for his versatile queen and his fearless knights. But what if the game environment suddenly changed, and the chess master no longer had as clear a picture about the possibilities and intentions of his individual game pieces? What if the creative defense planned for his game opening was suddenly powerless because the pivotal group of pawns, upon which this particular defense depends, had a different idea of what they wanted to do? Indeed, the sudden emergence of a new variable defined by the inherent preferences and goals of the board pieces adds a layer of complexity that would make even Deep Blue wave the white flag.

While the personification of chess pieces might seem absurd and comical to some, the significance of a business leader attempting to hire, mobilize, and motivate an unpredictable workforce is not. And the extent of unpredictability that now exists in the emerging workforce has never been greater. The numerical distribution of workers across three generations is more balanced than ever before, but the variability across those generations is significant. In this article, we will explore some of the differences in the generational groups themselves, some of the contrasting work environments that research suggests will prevail in as few as 10 years, and the associated alternatives that human capital leaders must consider when driving talent management initiatives in the midst of a rapidly changing work environment. The conclusions are fairly clear. To be sure, business leaders must be better connected than ever before to the changing external market, but also to their own people…*all their people*…in order to remain relevant and educated around the competencies critical for business success. These workplace competencies serve as the platform upon which talent management programs must be designed. Such a commitment to this heightened level of "internal" customer focus will prepare business leaders and HR executives to make the optimal workforce planning, acquisition, development and retention decisions for all of their people.

Much has been written on the contrasting styles of the baby boomer workforce, the Generation X workforce and the Generation Y workforce or Millennials, as they are called. The baby boomer workforce, who for the first time in decades no longer constitutes the majority of registered workers, grew up in a world of post-war expansion, great opportunity and high expectations. They left the same mark of excellence in the workplace that their parents left on the battlefield. As the boomers were rewarded with new opportunities and monetary growth in an expanding economy, they returned the favor with an enormous amount of service, pride and loyalty to the company.

Generation X workers were born in the late-1960s and 1970s and experienced long economic instability and a bleak job market in the early 1990s as they entered the workforce. The ensuing difficulties served as a permanent reality check for this group of workers. They welcomed the computer age and became the first generation to bring a level of basic competence and proficiency to the use of technology on the job, only to find their Generation Y followers expanding the use of technology into every single aspect of daily life.

Gen Y grew up in a time of economic expansion and tremendous prosperity and, until this most recent recession, had never experienced a downturn. Millennials are a technically savvy generation whose world has been immeasurably expanded by the Internet and by the social and global networks that technology has built. As such, these employees may be more driven by the next social cause or an international assignment than by a pending promotion or a highly publicized bonus program. Compared to their baby boomer parents who strived for career progression and job stability, the loyalty of Millennials to an employer is significantly lower. Research shows that over half of Gen Y workers plan to leave their current employer within five years, almost regardless of their satisfaction in the job. In fact, it is probably not by coincidence that the science of "employee engagement" as a more visceral assessment of the workforce than "employee satisfaction" emerged at the same time that Gen Y workers entered the workforce. These individuals are highly driven by connectivity, the freedom and flexibility to multi-task on the job, and the assignment of challenging work. It is probably safe to say that Generation Y is a far more heterogeneous group than the other two generational workforces. While many workers may demonstrate many of the more traditional work styles, serving as "apples" that stay close to their parental tree, other Millennials are more assertive in the conditions that define their own personal engagement with the job. Figuring out which levers to pull to drive the productivity of different resources becomes an important responsibility of the HR executive, as well as the workplace programs necessary to inspire the workforce at large.

Beyond the recognized differences among the workforce generations discussed frequently in the media, there is an emerging body of research that speaks to the alternative work environments that are likely to unfold in the next 10 years and the implications of those potential scenarios on the profile and required competencies of the workers of tomorrow. In collaboration with the Said School of Business, PricewaterhouseCoopers LLP has completed this extensive research among Millennials across the globe to better understand the alternative business scenarios that might exist in 2020. These scenarios are defined by a number of strong business forces or vectors (individualism, collectivism, business fragmentation and corporation

Beyond the recognized differences among the workforce generations discussed frequently in the media, there is an emerging body of research that speaks to the alternative work environments that are likely to unfold in the next 10 years and the implications of those potential scenarios on the profile and required competencies of the workers of tomorrow.

integration) which, depending on how the winds blow, will likely prescribe three very interesting points of intersection in the next 10 years. Specifically, the research points to three different "worlds" characterized by the colors of Blue, Orange and Green.
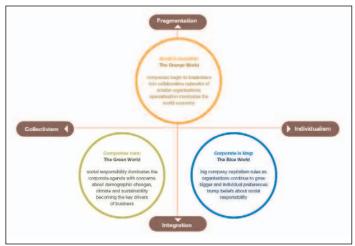

Figure 1. Alternative Work Environments.

In the *Blue World*, capitalism as we know it rules and organizations continue to grow bigger and more powerful and become an even greater influence in the lives of their employees. Individual preferences related to the purpose of work seem to trump beliefs about social responsibility. In the Blue World, where corporate is king, the people and performance model is the closest to what many leading companies are aspiring to today, linking HR interventions to improvements in business performance and using more sophisticated human capital metrics to evaluate corporate activity and individual productivity and contribution. Under this scenario, the management of people and performance becomes a hard business discipline, at least equal in standing to Finance in the corporate hierarchy.

With a proactive mindset and a focus on business strategy, HR in the Blue World will become the heart of the organization, taking on a wider people agenda and influencing many other aspects of the business. The chief people officer (CPO) is a powerful and influential figure, sometimes known as the "Head of People and Performance" who sits on the leadership board. Metrics and data are used to drive business performance through complex staff segmentation strategies that identify thousands of skill-sets – creating precision around sourcing the right candidates for the right tasks, as well as on the job performance measurement and assessment. The science of human capital has developed to such a degree that the connection between people and performance is explicitly demonstrated by the CPO.

From an HR and talent perspective, qualified employees in the Blue World are identified early, nurtured and developed aggressively, and rewarded well in return for a wholehearted commitment to the business. People are assessed at the age of 16 and categorized for work suitabil-

> *From an HR and talent perspective, qualified employees in the Blue World are identified early, nurtured and developed aggressively, and rewarded well in return for a wholehearted commitment to the business.*

ity both in terms of capability and individual preference. University education is managed by the company according to the organizational career path chosen by the individual. At the more senior level, employees take far greater control of their careers; often, senior executives have their own personal agents who represent them to find the best roles. Lower level employees are also taking active charge of their careers; they are aware of the value that human capital represents and are demanding about the expectations and rewards associated with their efforts. Those outside the corporate sphere find employment choices are limited to smaller companies that are unable to provide the same level of development and financial benefits. The boundary between work and home life disappears as a company assumes greater responsibility for the social welfare of its employees.

In the *Green World*, companies develop a powerful social conscience and a "green" sense of responsibility. Consumers demand ethics and environmental credentials as a top priority. Society and business see their agendas beginning to align, as they become allies for each other's causes. The need to travel to meet clients and colleagues is replaced with technological solutions, which reduce the need for face time. Air travel in particular is only permitted in exceptional circumstances and is expensive. Working across teams in different locations, therefore, presents enormous challenges to global businesses, and the HR function dedicates significant energy to generating virtual social networks across the operation and the client base. In the Green World, where companies care, corporate responsibility (CR) is good. The CR agenda is fused with people management, and employees are expected to uphold corporate values and targets around the green agenda.

The HR function in the Green World is renamed "People and Society," the leader being a senior member of the company's executive team. As society becomes a convert to the sustainable living movement, the people management function is forced to embrace sustainability as part of its people engagement and talent management agendas. Under this scenario, successful companies must engage with society across a broader footprint. Communities, customers, and contractors all become equal stakeholders along with employees and shareholders. The human resource function becomes the driver of the corporate social responsibility agenda within the organization.

The common belief is that employees choose employers who appear to match their beliefs and values. The reality is that the demand for the brightest and best in the Green World remains competitive, and whilst corporate sustainability rankings are a factor, the overall incentive package remains all-important. Incentives, however, are not just reward-related; for example, incentives include paid sabbaticals to work for social projects and needy causes – a popular trend post-2010. New graduates look for employers with strong environmental and social credentials; in response, HR departments play a key role in developing the corporate social responsibility program. Because organizations adopt a more holistic approach to developing their people, including personal development and measuring the impact they have on the wider world, employees are more engaged and, as a result, are often likely to have a job for life.

In the *Orange World*, global businesses fragment, localism prevails, and technology empowers a low-impact, high-tech business model. Networks prosper while large companies fall. This third world is, in many ways, the most radical and provocative. In this world, economies are comprised primarily of a vibrant middle market, full of small companies, contractors, often employed by worker guilds and portfolio workers. Organizations recognize that their employees and the relationships they have across their networks are the foundations of company success. Companies seek to promote and sustain people networks. This is achieved through incenting employees around achieving connectivity goals and collaborative behaviors. So while technology in the Blue World is focused on the reporting and metrics associated with workforce productivity, technology in the Orange World facilitates the creation of new networks, new relationships and new learning.

People strategy in the Orange World is replaced with sourcing strategy, as maintaining the optimum supply chain of people is critical to this networked world. People management is about ensuring that these small companies have the people resources they need to function competitively. This allows an important role to be carved out for HR, one where the people supply chain is a critical component of the business and is strategically led by the HR function. But the flip side is that this could also see in-house HR becoming solely a sourcing or procurement function, with the high-end people development aspects of HR being managed externally by worker guilds. The people function might be seen as transactional and almost entirely outsourced. In this scenario, HR will exist in a new form outside the organization and in-house HR will be predominantly focused on people sourcing.

As the guilds in which workers in the Orange World reside become more prominent, they take on many of the responsibilities previously assumed by HR and employers, including benefits and compensation, development and training. Employees aligned to guilds gain access to opportunities through professional portals provided by guild

networks – work can be bought, sold and traded in this way. Employment contracts are flexible to accommodate staff churn and a rapid turnaround. Workers are categorized and rewarded for having specialist expertise; this has created increased demand for workers to have a personal stake in the organization's success with direct ownership share schemes and project delivery-related bonuses becoming the norm. Because recruitment has become largely a sourcing function, this process has been merged with the organization's procurement function.

	Blue World	Green World	Orange World
Resourcing and Succession	Long careers and career planning. Succession plans for key performers.	Holistic whole company approach to manpower planning.	Short-term careers. Lots of contracting. HR strongly focused on filling fixed-term vacancies.
Talent Management	Strong performance focus across all levels. Top talent have personal agents.	Broad definition of talent. Competencies focus.	Minimal – key players in the central 'core' only, but liaison with external agents crucial.
Employee Engagement	Engagement around performance and performance metrics. Heavy promotion of corporate culture attributes and behaviours.	Engagement around work-life balance and social responsibility.	Short-term engagement around projects.
Reward and Performance	Strongly performance-related. Pay for performance. Highly structured according to role segmentation.	Focus on total reward over career life-time.	Contract based-pay for projects. Individual stake in projects as incentive for contractors.
Learning and Development	Begins at school. Focus on skills for the job – metrics driven.	Holistic approach to learning – much provided in house. But secondments and paid sabbaticals for worthy causes are common	Minimal provision in house. Skills training via new crafts guilds.

Figure 2. HR in the New Worlds of Work.

We have discussed in this article important differences among employee groups in today's multigenerational workforce. We have seen the exponential rise in the role of technology from boomers to Millennials or the fascinating drop-off in the company loyalty factor from Millennials to boomers. What about the change in the importance of sustainability and corporate behavior from Gen X to Gen Y? We have also explored some alternative workplace environments that are likely to emerge in the coming years and the implications of these scenarios on the role of HR in acquiring and developing the talent of the future.

As an example, the organizational competencies required to internally develop high performers in the Blue World are strategically critical, while those same capabilities are relatively unimportant in the Orange World, as they are essentially back-filled by sourcing competencies. This combination of co-existing generations of workers and co-existing work environments faced by the HR executive or business leader is quite compelling and daunting. Leaders have grown used to change in the external environment where competition is always threatening, capital markets are always pivoting, and crises are always looming. But leadership could always count on some level of stability and confidence that they had a good pulse on the members of their collective team and the operating model of their own company. And now these areas have become the next on a growing list of variables that challenge the business leaders of today – and will continue to challenge them tomorrow. So with such an unpredictable and highly dynamic game board, how does our chess master go about making his next move? What is the first step?

While this article is focused more on defining the challenge and less on the prescribed solution, it is safe to say that the high-performing business leader in these times must be both a visionary on behalf of the workforce and a micro-leader and interpreter of the workforce. The visionary must be tightly connected to the outside market and must ask the right questions to understand and opine on the operating models of the future. The leader must test new scenarios and consider the talent implications of each. As a micro-leader, the individual must be keenly aware of the culture and internal norms of the company and the emerging trends that can create healthy tension within that culture. Such trends can be demographically driven, socially driven, or pragmatically driven by the requirements of competing effectively in a global market. The leader must be able to see the workforce through multiple views – as one united team, as myriad generational work groups, and as a collection of unique individuals, all working together for a variety of reasons. Talent management programs must be able to move the collective organization forward and, at the same time, attempt to cater to the specific needs of the individual worker. Indeed, with a strong commitment to the needs of a diverse workforce and with an innovative approach to managing talent through changing business models of tomorrow, our chess master can smile with confidence and calm at the chess board ahead. Checkmate is just a few moves away.

About the Author

David Alhadeff is a managing director in the Human Capital practice of Pricewaterhouse-Coopers LLP. He has a leadership role in PwC's Talent Management solution with deep capability and experience in the areas of talent management strategy, competency modeling, enterprise learning, performance management, leadership development, succession planning, workforce training and organizational change management. He graduated from Duke University with degrees in Biology and Economics and went on to complete his M.B.A. at Northwestern's Kellogg Graduate School of Business in Marketing and International Business. He has spoken and written on a number of occasions on relevant human capital and change management topics. Recent thought leadership initiatives include a talent management webinar delivered for *Human Resource Executive* magazine to 320 HR leaders in April 2010 and a presentation and workshop that were conducted both at the International Leadership Association Conference in Vancouver and at a PwC sponsored Human Capital conference in Mexico City. He can be reached at ***david.b.alhadeff@us.pwc.com***.