

NAREIT 2017

HRForum

Sept. 18-19
Fairmont Copley Plaza
Boston, MA



Blending Multi-Generations at Work



“The best way to predict your future is to create it.”

- Peter Drucker

**If Facebook were a country
it would be the third-largest in
the world.**

Source: facebook.com.

The number of text messages
sent and received in one day
**exceeds the population
of the planet.**

Source: wikipedia.com

**Baby Boomers are retiring
at the rate of
one every 9 seconds
between now and 2029.**

Source: USA Today Money

**The average U.S. student today
will have 10 to 14 jobs
before age 40.**

Source: U.S. Department of Labor

**Percent of children entering
school today who will end up in
jobs that do not exist yet**

65%

*Source: Scott McLeod and Carl Fisch, quoted by World Economic Forum *Future of Jobs Report*, Davos, 2016*

Quiz time!

1. How old are the oldest generation X employees today?



53



Quiz time!

2. How old are the oldest Generation Y (also called “Millennials”) employees today?



37



Quiz time!

3. What is the name of the generation entering the workforce today?



Pace of change

Time to reach 50 million users



75 Years



Telephone



38 Years



Radio



13 Years



TV



4 Years



Internet



35 Days

Angry Birds
Space

Source: *Attributed to Carl Benedikt Frey and Michael Osborne (Oxford Martin School, University of Oxford) and G. Kofi Annan, author; note: some figures disputed*

Talent aspirations have changed...and so have the risks...

Then



Now



However...talent aspirations continue to change

Then



Now

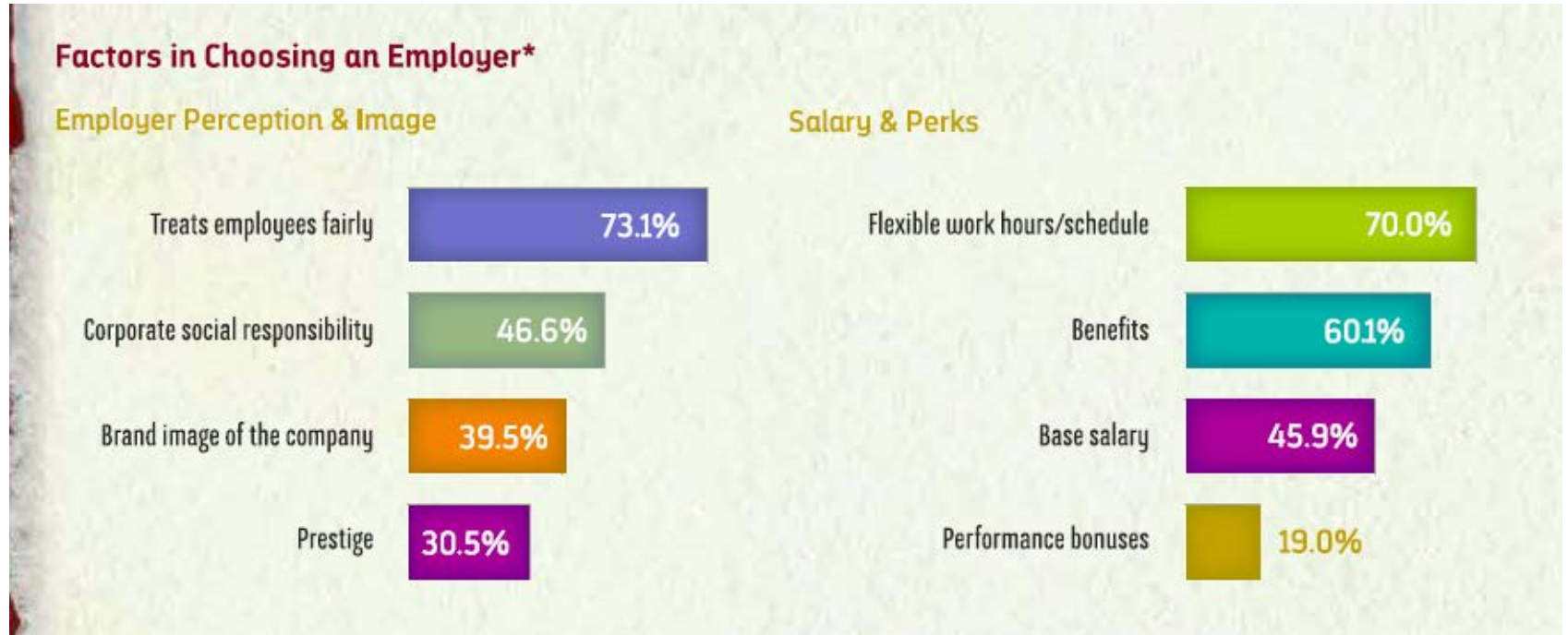


Real Estate's image problem: Top companies where students and young professionals want to work

Employer Rank	2016	2015	Employer Rank	2016	2015	Employer Rank	2016	2015
3M	1	-	SONY	28	12	Target Corporation	55	51
Google	2	1	Starbucks	29	17	Aéropostale	56	26
St. Jude Children's Research Hospital	3	3	CHG Healthcare Services	30	30	Walgreens	56	-
Walt Disney Company	4	2	Boston Scientific	31	37	JC Penney	56	40
Local hospital (EMT, etc.)	5	6	Teach For America	32	34	Mercedes Benz USA	56	35
FBI	6	5	UnitedHealth Group	33	23	Scripps Health	56	68
BuzzFeed	7	-	Kaiser Permanente	34	46	IBM Corporation	57	47
Apple, Incorporated	8	4	Snapchat	35	-	WellStar Health System	57	57
Central Intelligence Agency (CIA)	9	8	Delta Air Lines	36	55	Lockheed Martin	58	45
Amazon	10	11	Hershey's	36	20	Southern Ohio Medical Center	58	62
Children's Healthcare of Atlanta	11	10	Intel	37	24	Baptist Health South Florida	59	55
Health Care Service Corporation	12	9	Adobe Systems	38	39	General Electric	60	54
Mayo Clinic	13	14	Facebook	39	29	CVS Caremark	61	49
Microsoft	14	7	L'Oréal	40	28	Fitbit	62	-
Nike	15	-	Spotify	41	-	Dow Chemical	63	79
U.S. State Department	16	18	U.S. Navy	42	32	Major League Baseball	64	56
Universal Studios	17	-	Bank of America	43	-	Twitter	65	-
Netflix	18	-	U.S. Army	44	42	American Express	66	44
DreamWorks Animation SKG	19	13	Nordstrom	45	31	Under Armour	66	-
The New York Times	20	16	Whole Foods Market	46	38	Ford Motor Company	67	58
Boeing	21	-	Dell	47	27	Ohio Health	68	70
National Security Agency (NSA)	22	19	Local police department	48	53	Costco Wholesale	69	74
Abercrombie & Fitch	23	15	Meridian Health	49	52	Exxon Mobil	69	67
Blue Cross and Blue Shield	24	22	BuildABear Workshop	50	50	Goldman Sachs	69	73
Samsung	25	-	Coca Cola North America	51	33	Hasbro	69	66
Atlantic Health Service	26	25	Johnson & Johnson	52	36	Airbnb	69	-
Tesla Motors	26	-	JPMorgan Chase	53	43	Southwest Airlines	70	76
U.S. Air Force	27	21	AT&T	54	48	Marriott International	71	67

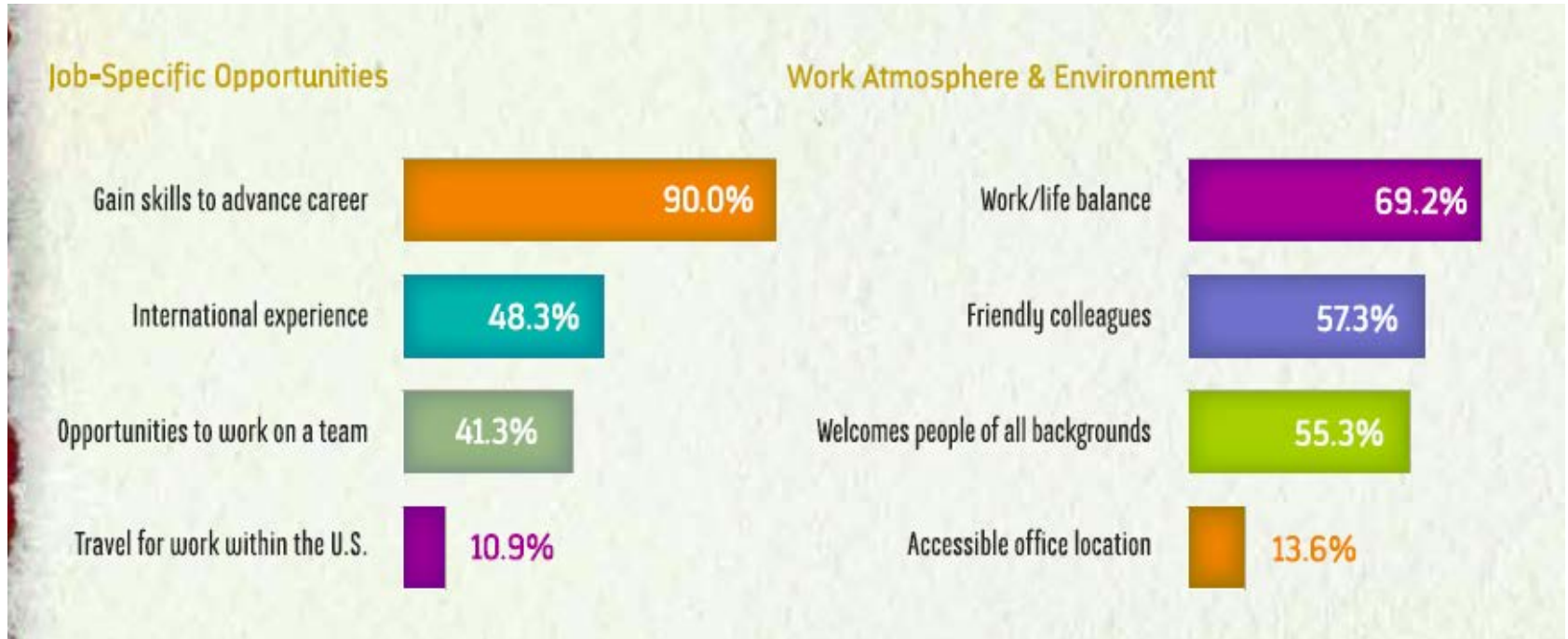
Source: National Society of High School Scholars (NSHHS) 2016 Millennial Career Survey Results; Forbes June, 2016 (Survey of 13,000 high school students, college students, and young professionals, ages 15-32)

Factors in choosing an employer for students and young professionals



Source: National Society of High School Scholars (NSHHS) 2016 Millennial Career Survey Results; Forbes June, 2016 (Survey of 13,000 high school students, college students, and young professionals, ages 15-32)

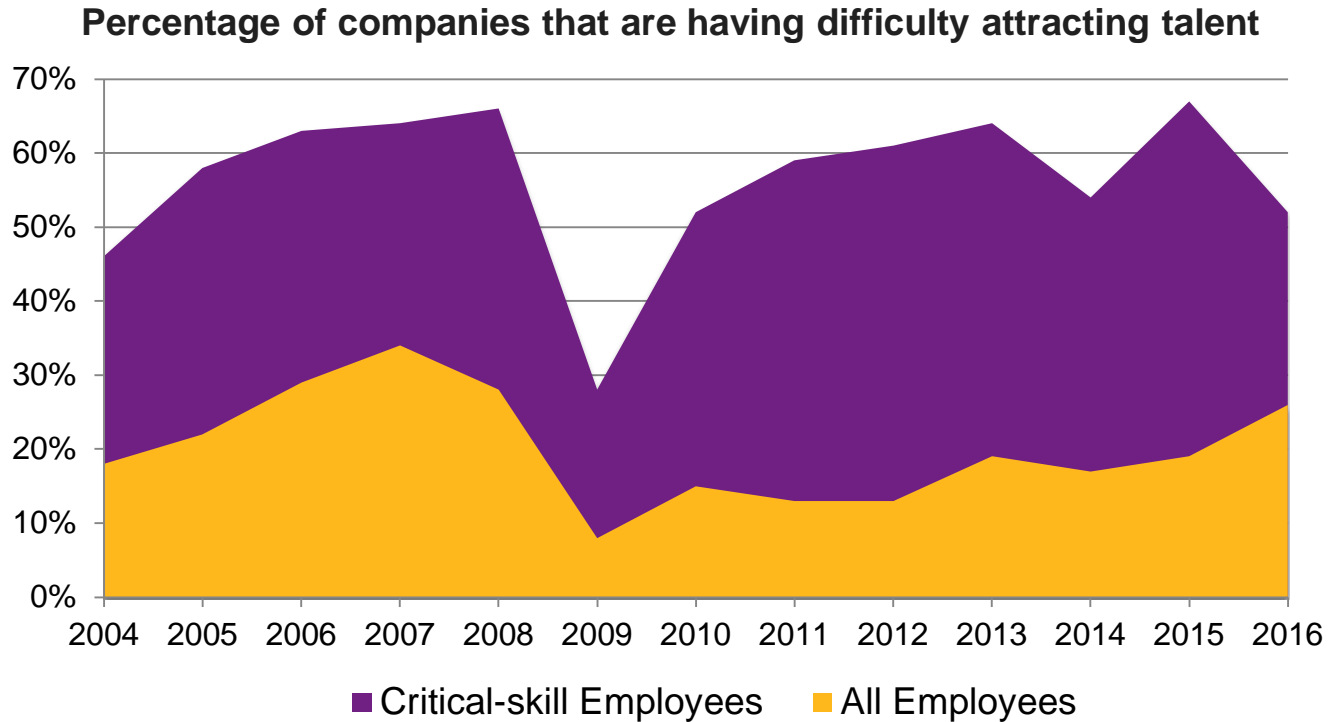
Factors in choosing an employer for students and young professionals



Source: National Society of High School Scholars (NSHHS) 2016 Millennial Career Survey Results; Forbes June, 2016 (Survey of 13,000 high school students, college students, and young professionals, ages 15-32)

Skill shortages today

What is going on?

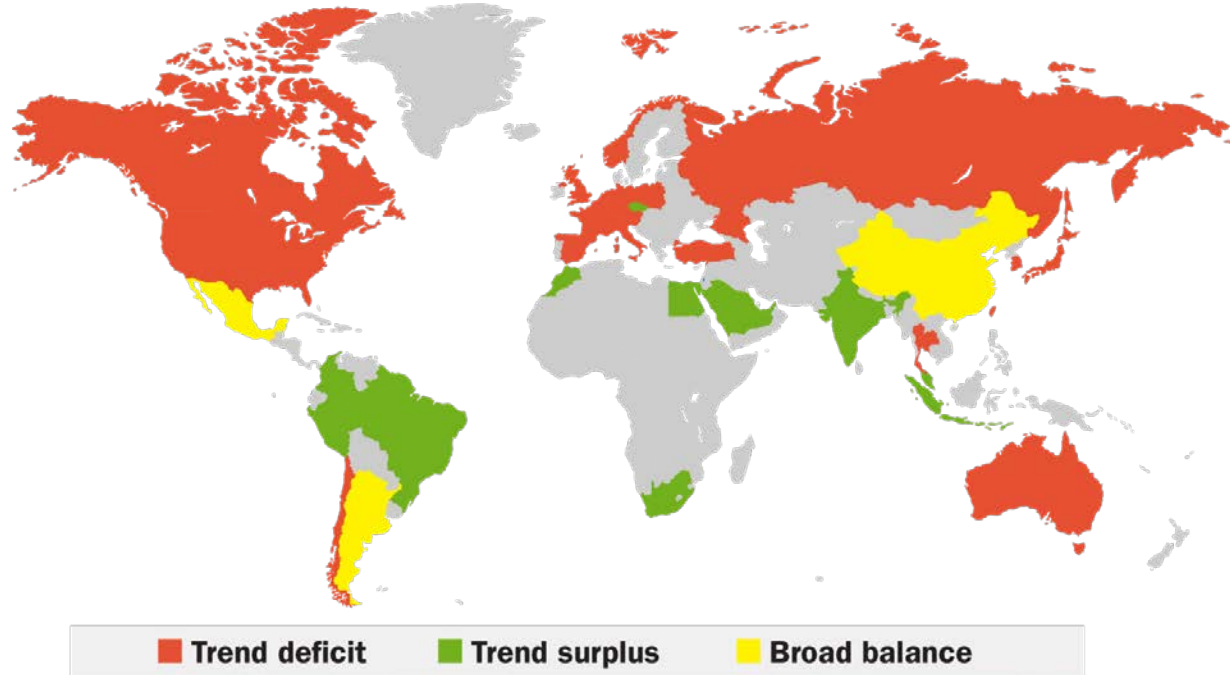


Source: Towers Watson Talent Management and Rewards Study, 2005 - 2015

Talent shortages in 2021: Not pretty for mature markets

Global talent heat map

The gap between the growth in demand and the growth in supply of talent, 2011 to 2021

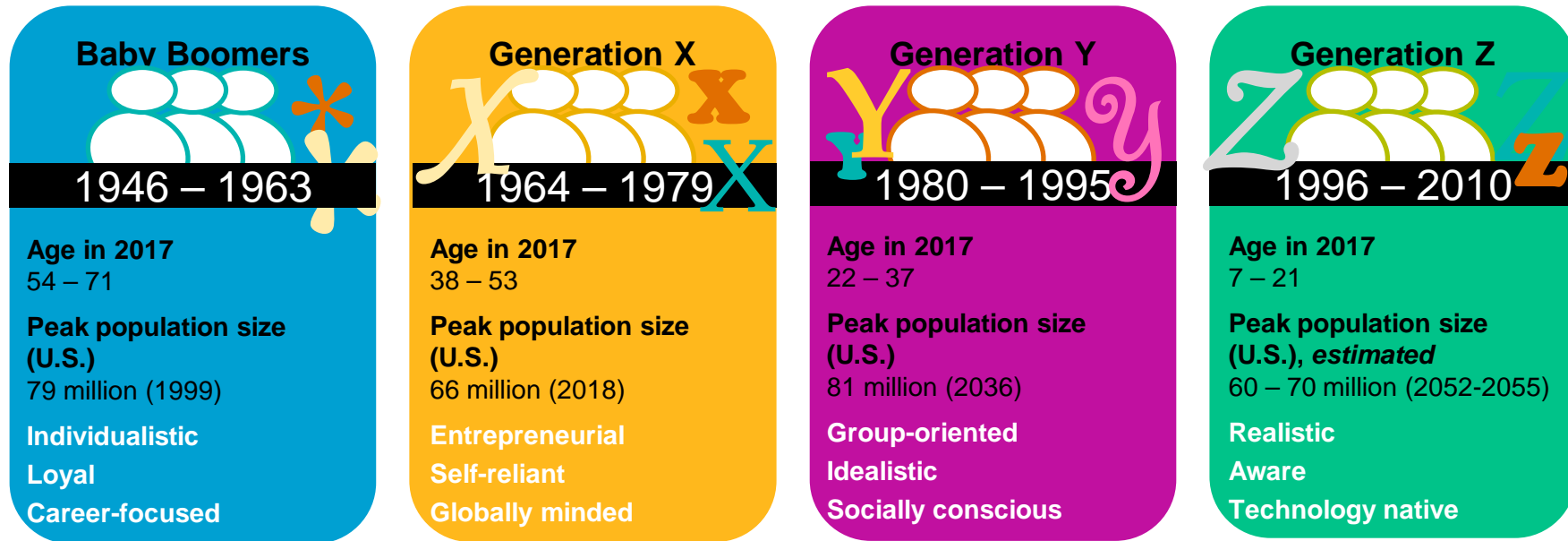


Source: Oxford Economics

Generational population changes are afoot

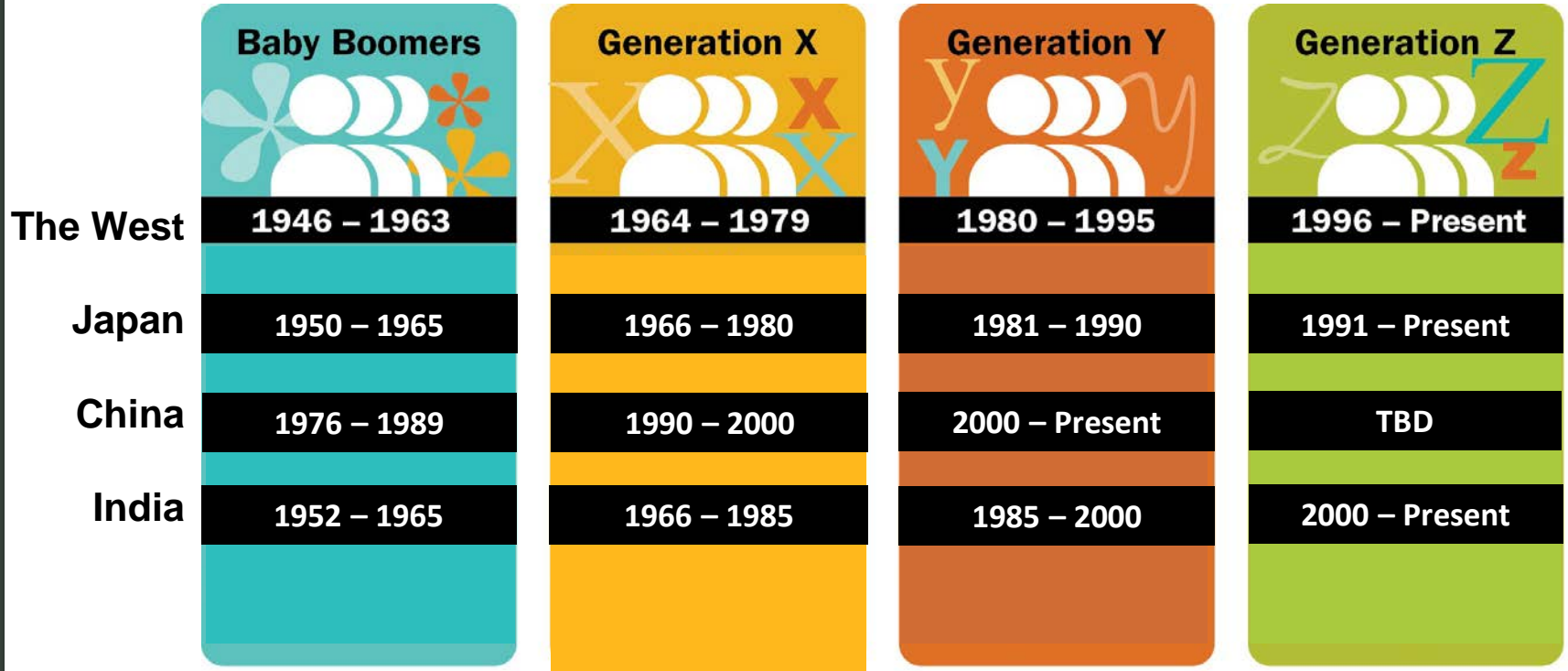
New demographics:

Generation Y has arrived — Generation X are emerging leaders —
Generation Z is on the cusp



Source: Pew Research Center tabulations of U.S. Census Data; WTW estimates

Generations around the world



Even with different significant events at different times in countries around the world, similar generational “eras” emerge ... just at different times

Source: *Introduction to Generational Theory in Asia*, Dr. Graeme Codrington

Idealistic and socially conscious

64% of Generation Ys
rank making the world
a better place as
a priority in life



56% would take a pay cut to work
somewhere
that is positively
changing the world

Source: *Intelligence Group – Cassandra Report; 2013*

Not solely pay driven



52% of Generation Ys
would rather earn \$40,000 at a dream job
than \$140,000 at a regular job

Source: Intelligence Group – Cassandra Report; 2013

Not corporate focused

57% of Generation Y's
would rather
work freelance
than a regular
nine-to-five job

55% would rather work for a
start-up than a corporate
environment

57% would rather
work for themselves
than for a company



Source: Intelligence Group – Cassandra Report; 2013

Balancing Act



**88% of Generation Ys prefer
work/life integration versus work/life balance**

Source: Intelligence Group – Cassandra Report; 2013

Okay, with dependence

**93% of
Generation Ys
receive
financial assistance
from parents**

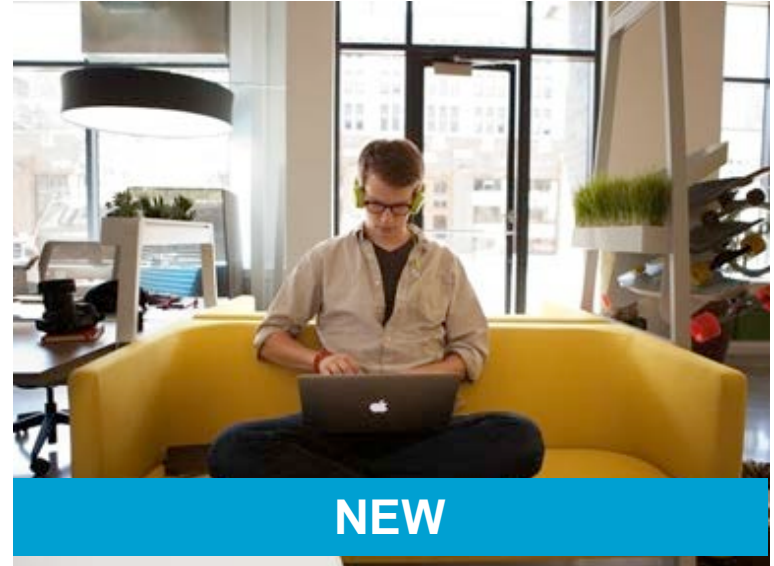


Source: *Intelligence Group – Cassandra Report; 2013*

New value system



- **LIVE** to work
- **INDIVIDUAL** achievement
- **CORNER** office
- **PRESTIGE**



- Work to **LIVE**
- **GROUP** oriented
- **FLEXIBLE** schedules/social media
- **GIVING BACK**

Source: Intelligence Group – Cassandra Report; 2013

...a word on Generation Z



GENERATION Z

There's no need to argue
Kids just don't understand

Source: emgn.com – 16 Pictures that Summarize Generation Z, 2015

Here comes Generation Z...



CRAIG BLANKENHORN /HBO, VIA ASSOCIATED PRESS



ERIC MCCANDLESS/ABC

The new descriptors for Gen Z:

- Conscientious
- Hard-working
- Somewhat anxious
- Mindful of the future

Millennials		Generation Z	
(born 1980-1995)		(born 1996-2010)	
TV ICON	Hannah Horvath, "Girls"	Alex Dunphy, "Modern Family"	
MUSIC	Lady Gaga	Lorde	
SOCIAL MEDIA	Facebook	Snapchat, Whisper	
WEB STAR	PewDiePie, YouTube	Lele Pons, Vine	
STYLE INFLUENCER	Olsen twins	Tavi Gevinson	
CLOTHES	American Apparel	Shop Jeen	
FIRST GADGET	iPod	iPhone	

Source: *New York Times*, Alex Williams, September 18, 2015

Industrial Revolutions and Work

Key practices based on human capital risk strategy

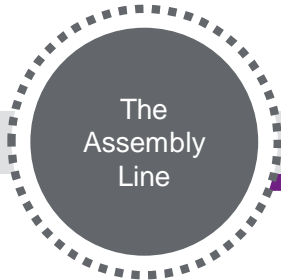
Second Industrial Revolution

Late 19th – early 20th century

“The assembly line”

Features:

- Companies as social institutions
- Organization of work into jobs
- Jobs as careers



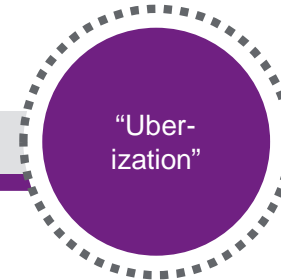
Fourth Industrial Revolution/ Second Machine Age

2000s -

“Uberization”

Features:

- Mobile, sensors, AI and machine learning
- Companies as platforms
- Disaggregation of work into activities
- Talent on demand



Third Industrial Revolution/First Machine Age

1960s – 1990s

“Nikefication” and core competencies

Features:

- Technology enablement and the web
- Companies as the nexus of contracts
- Streamlining of jobs to enable outsourcing

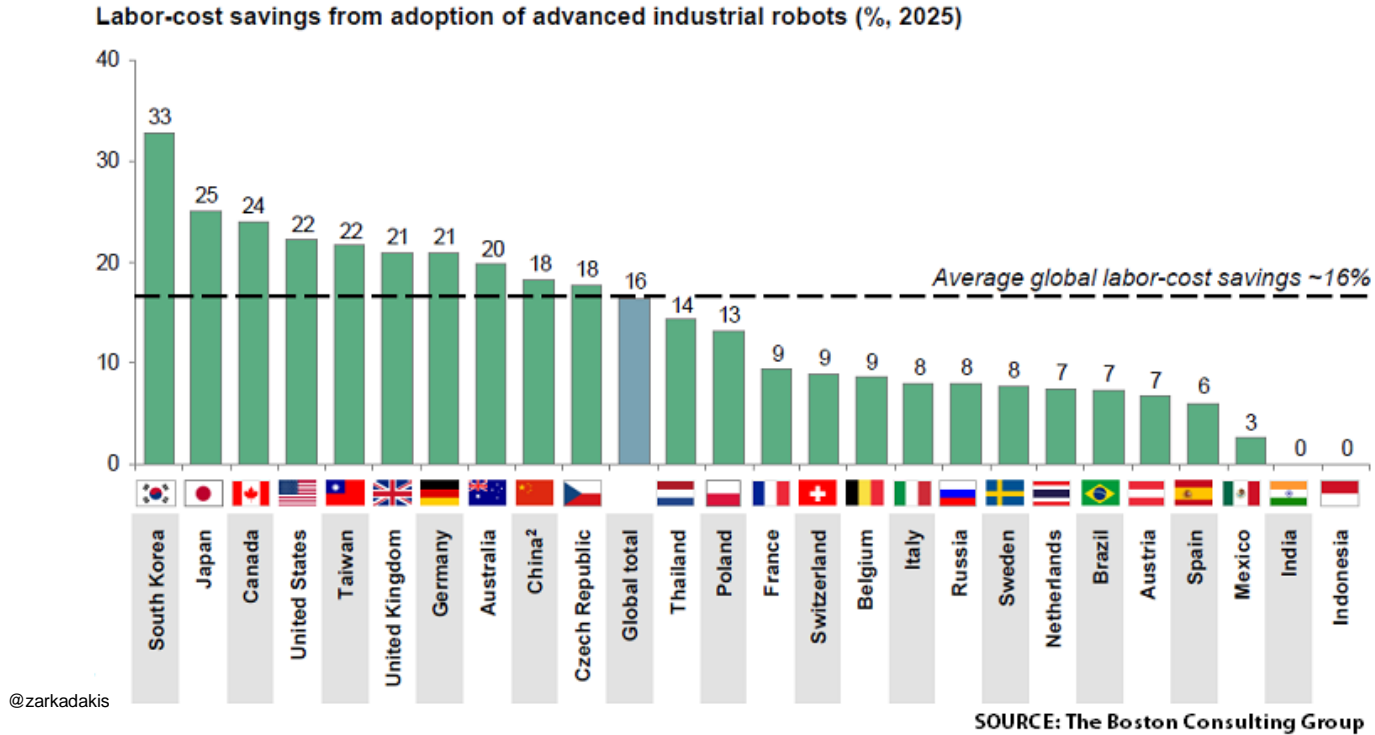
Source: John Boudreau, Ravin Jesuthasan and David Creelman

Disintermediation of work is already happening...



Industrial Robots could be 16% less costly than humans in 2025

The economic argument of Capex over Opex

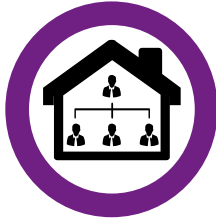


The type of work that gets done is evolving



Not binary anymore: the employment relationship is changing

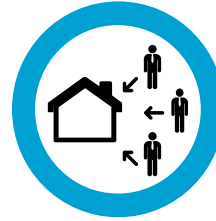
A plurality of work is already here...



Traditional employees



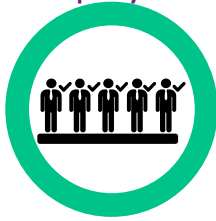
Outsourcing



Free agents



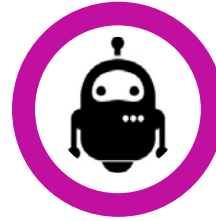
Alliances



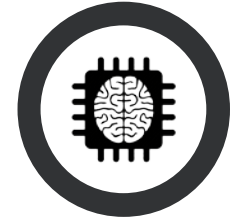
Talent platforms



Volunteers



Robotics



Artificial Intelligence

“Uber Empowered” Scenario: New Jobs and a New Role for HR

A plurality of work is already here...



AI Ethics Evaluator



Robot Trainer



Virtual Culture Architect



Data, Talent & AI integrator

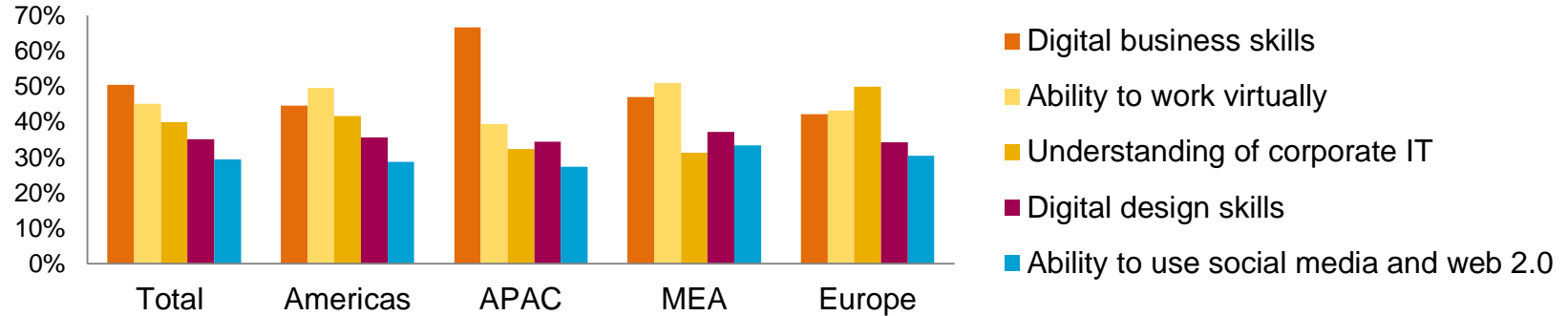


Cyber Ecosystem Designer

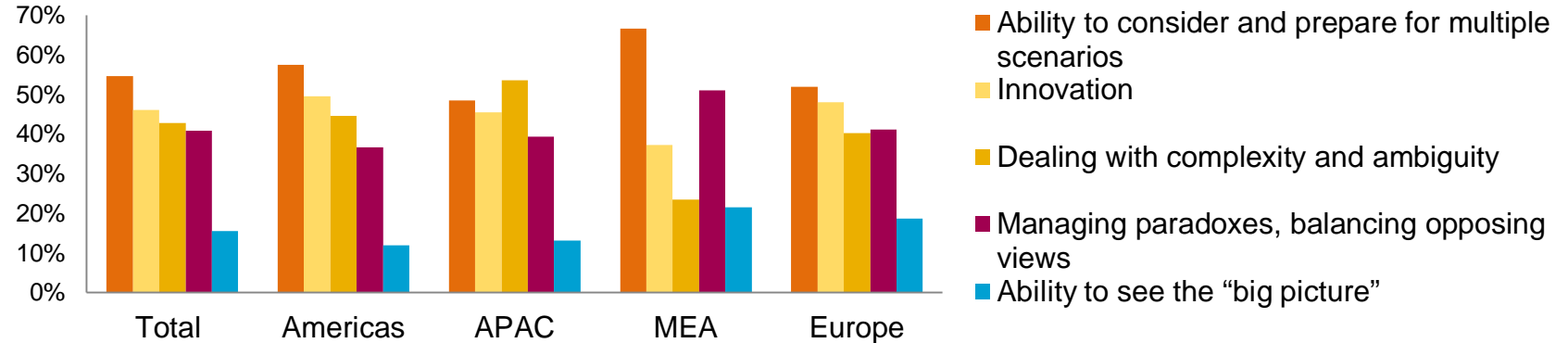
Source: CHREATE Consortium

A need for new skills in the future

Digital Skills



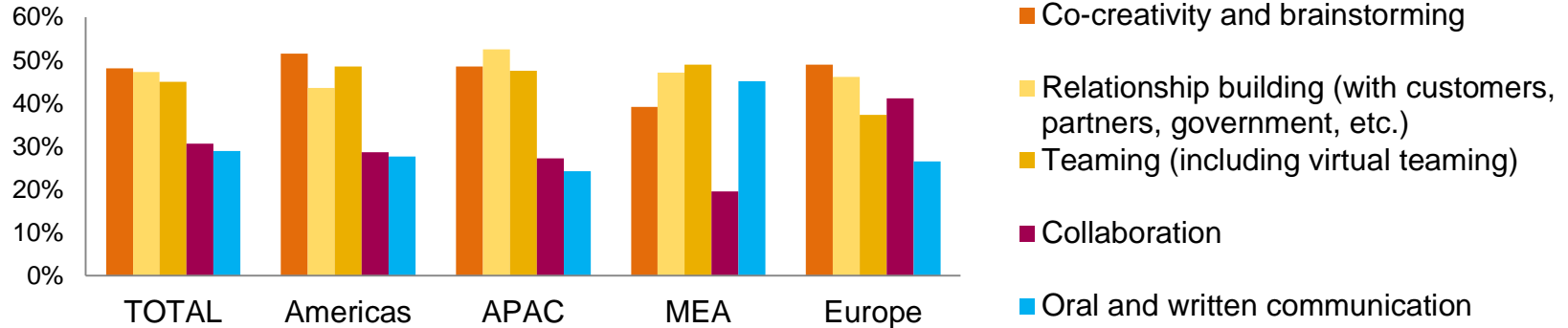
Agile Thinking



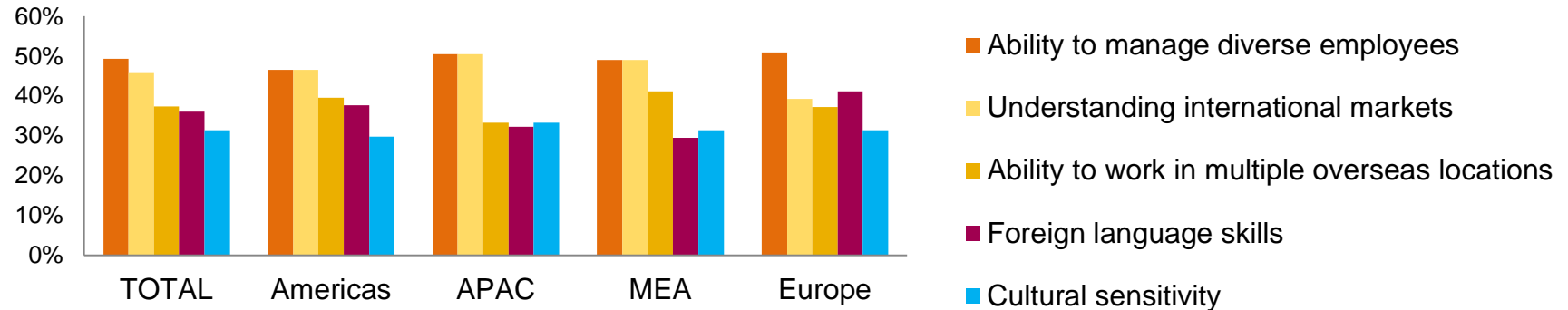
Source: Global Talent 2021 Study conducted by Oxford Economics and Towers Watson, 2012.

A need for new skills in the future

Interpersonal and Communication Skills



Global Skills



Source: Global Talent 2021 Study conducted by Oxford Economics and Towers Watson, 2012.

What companies are doing

Key to reducing talent risk: Treating employees like consumers

70%

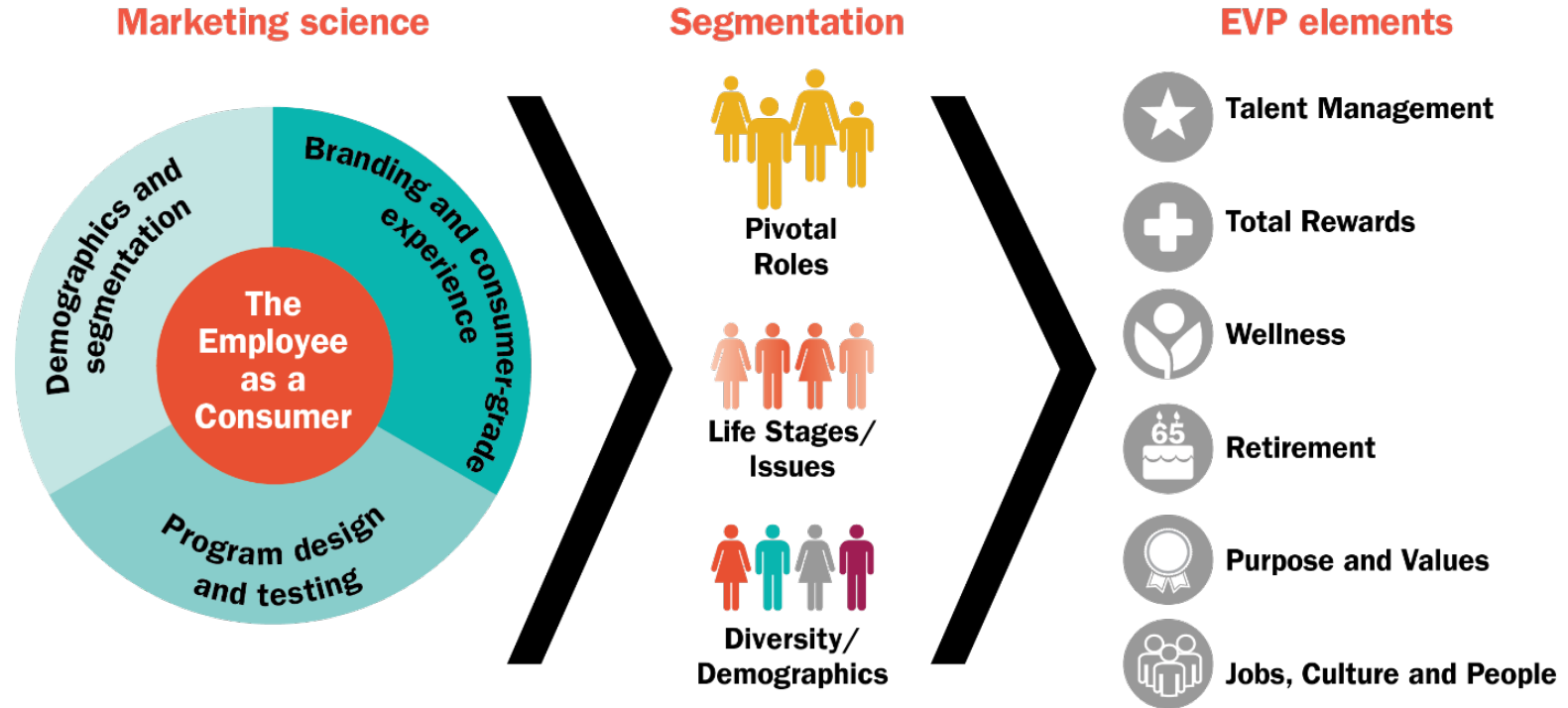
Percent of employees believing that their organization should understand them to the same degree that employees are expected to understand external customers

Percent of employees reporting having an employer that understands them in this way

43%

Source: 2014 Global Workforce Study, Towers Watson

Reducing talent risk: Savvy segmentation



Examples of strong employer brands from various industries

“Where your work touches lives.”

— Disney

“Rock Solid® Total Rewards.”

— Prudential

“Inspired by purpose. Have your career validated 4 billion times a day.”

— P&G

“Grow with us.”

— Kellogg

“Share your passion.”

— BMW

“Great people make great beer.”

— Miller Coors





“Help us build a smarter planet.”

— IBM

“Do cool things that matter.”

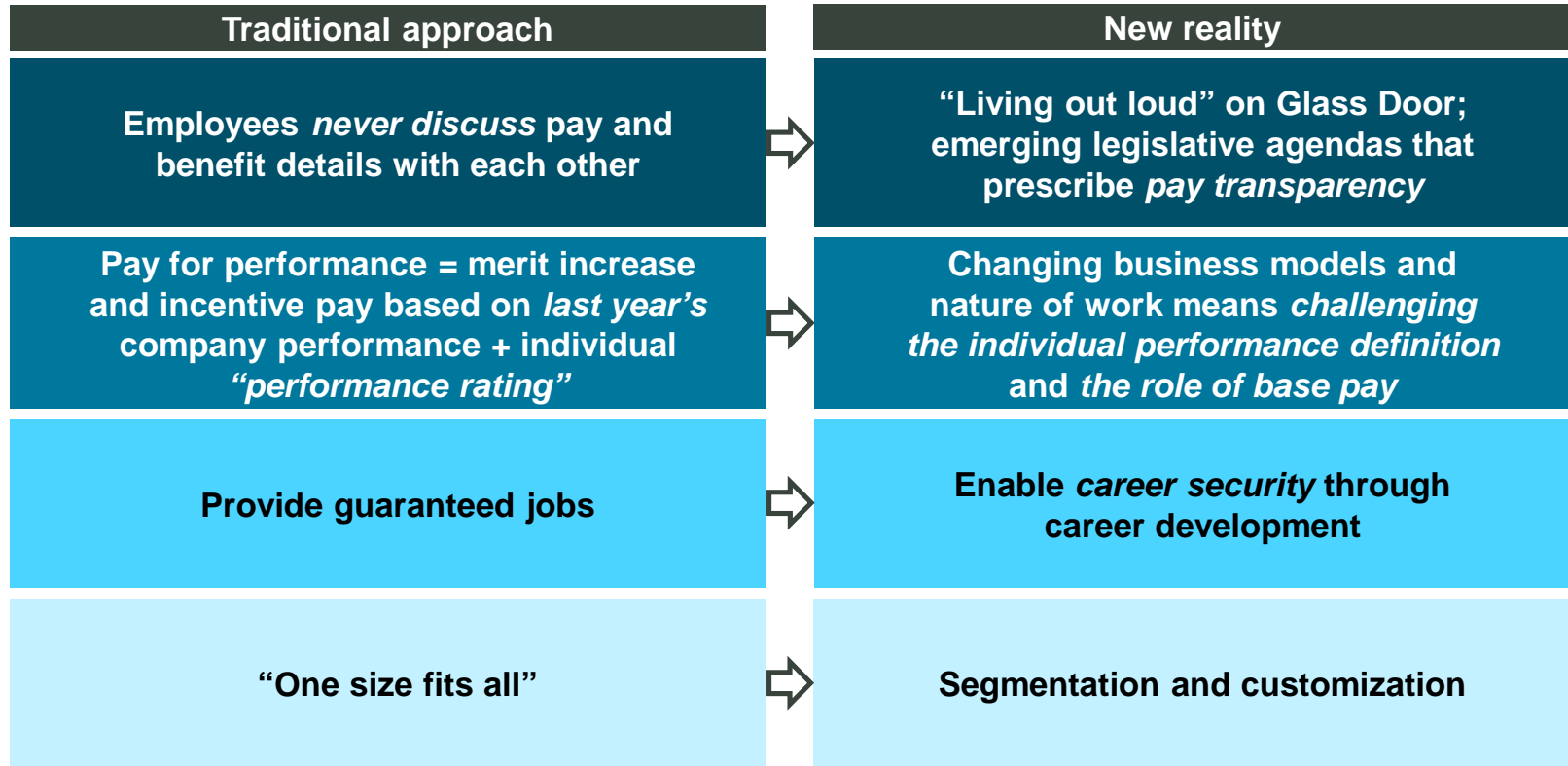
— Google

Understanding the key drivers of attraction and retention are critical

Rank	Attraction		Retention	
	Employee view 	Employer view 	Employee view 	Employer view 
1	Base pay/salary	Career advancement opportunities	Base pay/salary	Career advancement opportunities
2	Job security	Base pay/salary	Career advancement opportunities	Base pay/salary
3	Career advancement opportunities	Reputation of organization as a great place to work	Physical work environment	Relationship with supervisor/manager
4	Challenging work	Challenging work	Job security	Ability to manage work-related stress
5	Opportunities to learn new skills	Job security	Ability to manage work-related stress	Opportunities to learn new skills

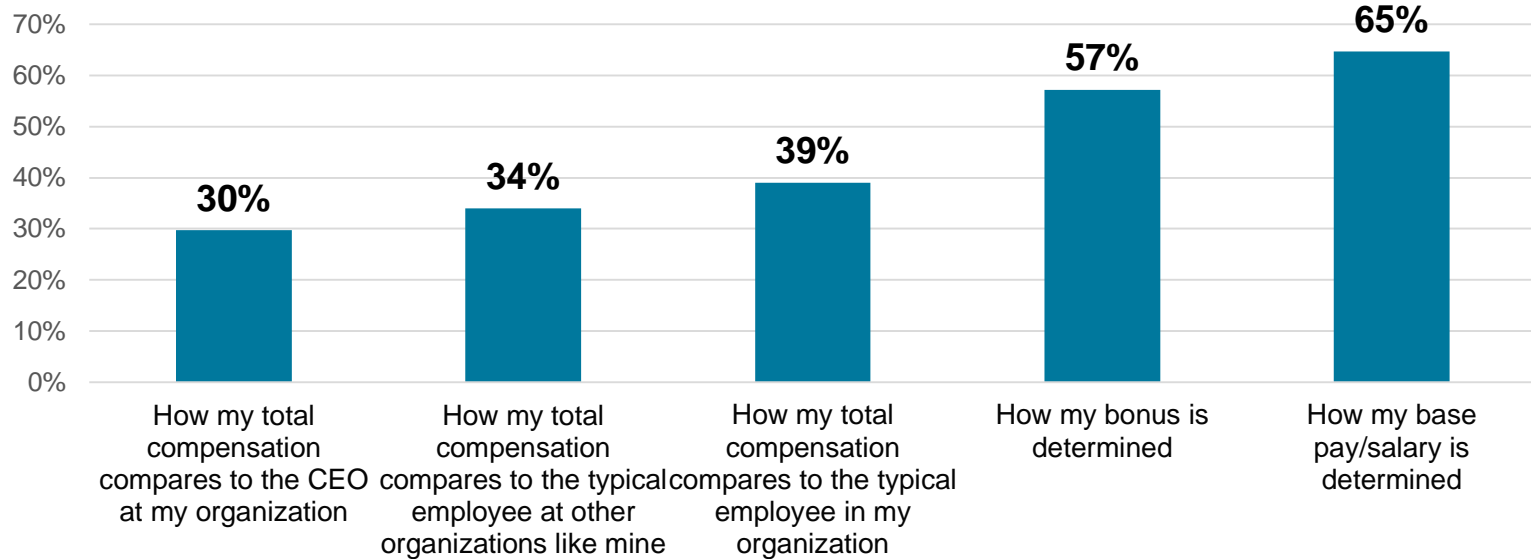
Source: Willis Towers Watson 2016 Global Talent Management & Rewards and Global Workforce Studies

Modernizing Total Rewards to reflect a multi-generational workforce means challenging conventional thinking



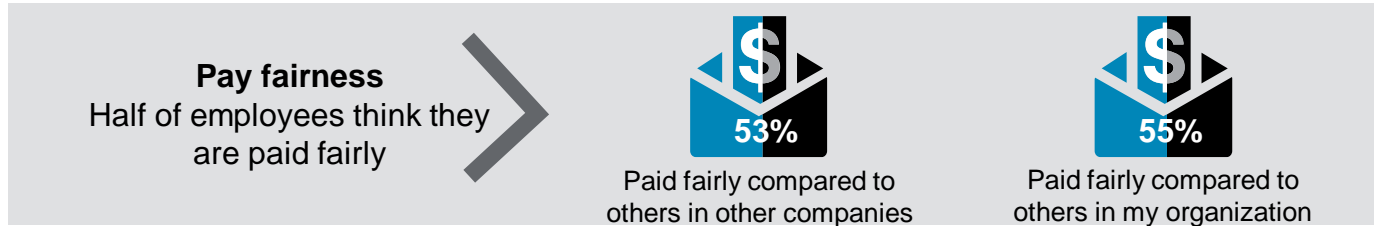
Employees claim to understand how pay is determined, but not its value relative to other groups

Percentage of employees who agree they understand...

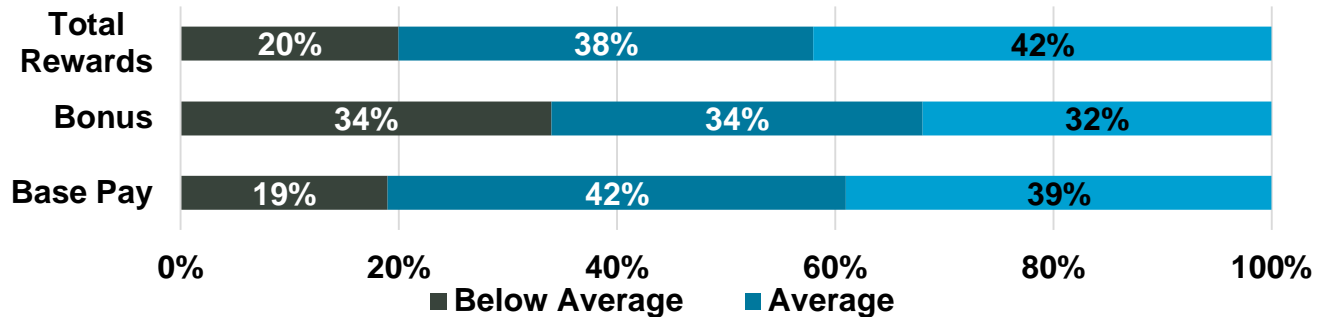


Source: Willis Towers Watson 2016 Global Talent Management & Rewards and Global Workforce Studies

Employee perceptions of internal equity and market competitiveness are mixed



Overall, how do you think the value of each of the following compares to that offered for similar positions in other organizations?



Source: Willis Towers Watson 2016 Global Talent Management & Rewards and Global Workforce Studies

Have annual merit increases outlived their purpose requiring us to rethink our approach?

40% of companies say base salary or “merit” increases are effective at driving higher levels of individual performance

55% of companies say that merit increases are effective at differentiating pay based on individual performance

Do we need to rethink our approach?

Source: Willis Towers Watson 2016 Global Talent Management & Rewards and Global Workforce Studies

Factors are pointing towards a need to challenge the conventional thinking



Limited resources – companies cannot afford to deliver significant pay increases to all employees each year



Homogeneity – employees are generally subject to the same merit increase guidelines, regardless of talent segment



Differentiation – merit increase differentiation is challenging given small budgets



Entitlement mentality – employees expect an annual increase each year, regardless of their job marketability



Focus on the future – when making base pay decisions, managers give more weight to the present and future, rather than past, which is typically not prescribed within the program design

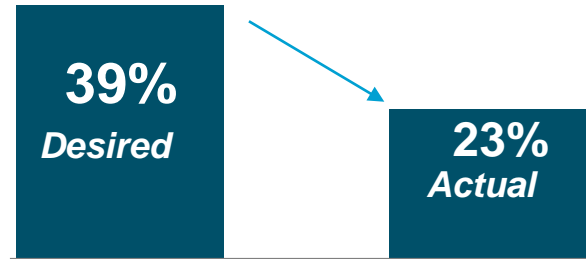
Prevalent pay for performance design and implementation tools are broken

Only **50%** of companies say **short-term incentives are effective at driving higher levels of individual performance...**

...and **47%** of companies say that these **incentives are effective at differentiating pay** based on individual performance

26% of employers **pay bonuses to employees who fail to meet expectations**

Bonus payout above target for top performers



Source: Willis Towers Watson 2016 Global Talent Management & Rewards and Global Workforce Studies

After base pay, career management continues to be a top driver of attraction, retention and engagement

44% of employees feel they need to leave their organization to advance their career

Most employers provide traditional career paths, on-the-job training and internal job boards

33% of employers provide lateral or dual career paths, beyond-the-job training, employee self-service tools and integration within technology (e.g. HRIS)

	All Employees	Top Performers	High Potential
My company does a good job explaining how I can advance in my career	42%	48%	59%
My immediate manager helps me with career planning and decisions	38%	47%	54%
My organization provides career planning tools and resources that are helpful to me (coaching, self-assessment, career paths, job rotation, competencies)	44%	51%	60%
I have to leave my organization in order to advance	44%	42%	45%

Source: Willis Towers Watson 2016 Global Talent Management & Rewards and Global Workforce Studies

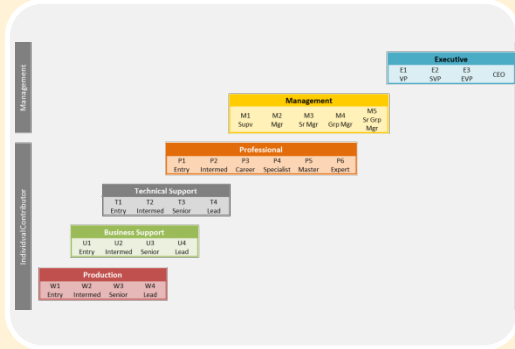
There are three foundational elements for an effective career management program

Established
Career
Framework

Enabling
Experiences
and
Opportunities

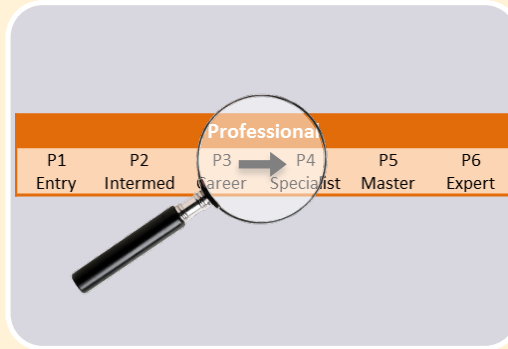
Aligned
Competency
Framework

Career Framework



Organizes jobs within and across the organization onto a common platform by defining roles and career levels

Enabling Experiences



Illustrates the experiences that could potentially prepare one to move from one career level to the next

Scaled Competencies

Accountability Competency Definition: Takes ownership for decisions and results of work within the scope of one's role.					
	Developing	Supporting	Applying	Leading	Shaping
Taking Responsibility and Ownership	Learns to take responsibility and ownership for own tasks, decisions and outcomes.	Takes responsibility for achieving job requirements, tasks and objectives, even if other resources are required.	Ensures that employees are aware of own responsibilities, while maintaining a high level of cooperation.	Holds managers and their teams accountable for accomplishing their objectives, lending support when needed.	Creates conditions in which employees have the opportunity to grow and assume more responsibility and decision-making authority.
Driving and Delivering Results	Delivers consistent results and meets predetermined deadlines within the scope of own job/role; is accountable for own projects.	Willingly and appropriately goes beyond the scope of one's job to get the work done and meet commitments made to others.	Measures and tracks team performance against goals and ensures that each employee contributes to achieving the goals; is accountable for multiple teams.	Generates motivation and drive toward achieving performance goals by emphasizing responsibility and communicating results to the organization; is accountable for achieving departmental goals and initiatives.	Creates and sustains an atmosphere where accountability, performance and results are valued and recognized by the organization; is responsible for implementing the organization's strategy into a business unit/function.
Managing Expectations and Working Through Setbacks	Acknowledges personal errors and problems without passing blame.	Takes responsibility for individual and team errors by personally fixing problems and unintended consequences.	Openly manages others' expectations when completion of tasks is not possible or delayed.	Minimizes impact of delays by anticipating problems and taking action to work through setbacks.	Creates a sense of responsibility throughout the organization for honoring time commitments in the achievement of goals and for ensuring high-quality standards.

Clarifies the knowledge, skills and abilities (expressed in behavioral terms) required for success

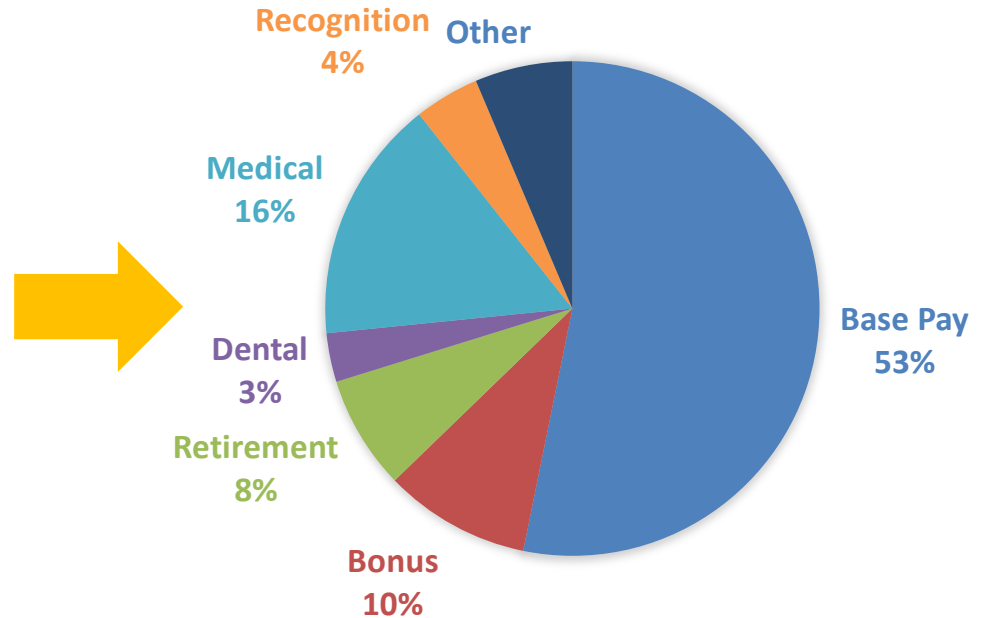
Three important questions to optimize your Total Rewards spend

What is the best level of investment in employees?

What is the best allocation of that investment to maximise desired behaviours (e.g., retention, motivation)?

Do the answers vary by organization level, geography, business unit, other demographic characteristics?

Total Investments in Selected Rewards



In summary, the new Total Rewards reality suggests...

1



Transparency is a core principle

2



Changing nature of work demands modern approach to pay for performance

3



Career security is the new job security

4



Recognize that the “total” in total rewards includes flexibility and a move away from “one size fits all”

Top ten pieces of advice for dealing with multi-generational employees

1. **Do not stereotype** or prejudge generational groups
2. Understand key **drivers of motivation** for each of your direct reports
3. Accept that early career workers have more **bargaining power** than you probably did at a similar career stage
4. Don't blame communication issues on **technology**
5. Find out how often each employee prefers to receive **feedback** and in what form (be flexible)
6. Assess what your employees really **value** (e.g., flexibility, mission, security, money, benefits, environment, skill acquisition)
7. Set **clear expectations**
8. Help each employee create a vision for his/her **career path**
9. Commit to securing resources and eliminating obstacles in return for the employee's **commitment**
10. Think "**gig**"

“

*Most people **Overestimate**
what they can do in one year and
underestimate what
they can do in ten years.*

”

- Bill Gates