

The Silver Tsunami

Every day, 10,000 Baby Boomers reach retirement age, creating a “silver tsunami” that is expected to strip organizations of invaluable institutional knowledge and experience¹. Not isolated to a company, industry, or region, this demographic shift is an epidemic of global consequence. Deloitte found that 94% of companies do not feel ready to address their leadership issues², 93% of companies do not have robust programs to build next leaders³, and only 10% of companies feel comfortable with their succession program⁴. By 2025, about 75% of the workforce will be made up of millennials⁵, the largest share in history.

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Making matters worse, research into how generations interact shows “younger generation employees reported difficulty interacting with older generations as one of their major workplace challenges [while] older generations avoid working with younger generations who, as a result, might be under prepared for leadership roles due in part to lack of mentoring.”⁶ What used to work – leadership bestsellers, seminars, formal mentorship programs, graduate education, and affinity groups – is no longer up to the task.

These approaches prioritize Baby Boomers’ leadership priorities of efficiency and decision-making rather than incorporating the interpersonal and intrapersonal leadership skills that younger workers value⁷. Further, these tactics reinforce nugget-a-day improvement instead of developing the strategic skill set needed to compete and win in a marketplace that is fast, global, tech-enabled, and talent-competitive.



What does this mean?

1. There is an executive talent shortage looming

There are not enough experienced professionals to step into the leadership roles being vacated by retiring Baby Boomers, making the competition for exceptional decision-making talent more heated than at any other time in modern history. For every four Baby Boomers that retire, there are only three Gen X members to fill their roles. Millennials will inevitably have to fill in the gaps. Further, many Baby Boomer leaders are unable (or unwilling) to play a role in knowledge transfer to younger generations due to time constraints and attitudes toward those workers. Knowledge transfer is critical to the continued success of organizations, but it is not happening. Only 6% of people over the age of sixty have reported discussing “important matters” to non-familial colleagues under the age of thirty-six.⁸

2. Less-experienced workers will have no choice but to step into decision-making roles

Generation X has 23% fewer members than Baby Boomers, forcing under-40 workers into an accelerated career path that

is independent of their skill set. Instead of “sitting on the bench” to learn from seasoned role models, they will become managers without the tools or time to succeed in those jobs, which has a cascading effect throughout the organization. These younger, less experienced workers will be forced to take over the positions left open by older colleagues. This lack of experience is causing turnover at the highest ranks of companies; 40% of executives hired at the senior level are pushed out, fail, or quit within the first 90 days. Further, only 23% of senior-level executives feel that their organization has created a strong pool of succession candidates for leadership positions.¹⁰

3. Traditional talent development solutions are low-yield

64% of C-Level executives said that developing next-generation leaders will be the biggest challenge moving forward.¹¹ With that being said, talent development trends have changed little in the last two decades, further widening the knowing-doing gap. With organizations seeing less ROI on those dollars, senior leaders have grown to perceive development as a cost rather than an investment,

creating an even more significant barrier to improvement, preparation, and knowledge transfer. Just 25% of executives believe the training programs they have put their employees through have improved their performance.¹²

4. Millennials will leave your company, but they don't want to

Talented millennials will have options when it comes to finding jobs, and this generation of workers is not afraid to leave their companies if they are not receiving what they want. Millennial turnover cost the US economy \$30.5 billion last year.¹³ If a job lacks growth opportunities and avenues for leadership development, 67% of millennials would leave that position.¹⁴ Millennials do not want to leave their companies, but they're often faced with few opportunities for growth, and 87% of millennials say professional development or career growth opportunities are very important.¹⁵ Offering career training and development would keep 86% of millennials from leaving their current position.¹⁶ Investing in your millennials keeps them engaged and prepares them for the future. This generation is talented and will put in work above and beyond what is expected for an employer they like.

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This leaves organizations with two choices:

1. Organizations that make the right investments in the right people using the right tools will have access to talent that delivers exceptional returns for themselves and their teams. When companies align organizational goals with individual objectives, provide opportunities to solve problems alongside similarly challenged peers, and receive individualized performance feedback and coaching, the C-suite can expect to get more from their existing teams while attracting top-tier, solutions-focused talent in a competitive hiring marketplace. Workers ages 18-34 said career development matters most when deciding what job to accept. Development opportunities do more than develop your team members -- they keep them engaged. The right development program will not only attract future employees, but retain and grow your current ones.

2. Organizations that do not address the coming executive talent shortage will be left scrambling to fill crucial decision-making roles with workers who are unlikely to be ready to tackle the problems they have been asked to solve. In an attempt to close the gap quickly, these organizations are likely to fall back on outdated training methods that target skills meant to lead a previous generation of workers using tools that rarely induce long-term behavior change. Reactive organizations will ultimately pay more for less – less productivity, less development, less capability, and fewer bottom-line results. As Peter Drucker intimated, the only certainty in business is demographics. Proactive organizations that see what is coming and adapt appropriately will win the war for talent. Capable employees who possess desirable skill sets will have ample opportunities for jobs. Among millennials expecting to leave their job within the next two years, 71% are unhappy with how their leadership skills are being developed.

Conclusion

We are entering unprecedented demographic territory, and the continued success and growth of your organization will sync with the folks you develop to take on leadership roles. Finding these next-generation leaders and investing in their development is paramount. Nearly half (46%) of companies said "leadership" was the skill hardest to find in employees, and only 36% of employees listed "leadership" as a strength in their organizations. Preparing your bench to take over your company is imperative. This silver tsunami will drastically affect your business. That's a promise.

Are you prepared for the storm?

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What are the obstacles?

There are four main decision-making biases that keep executive-level decision-makers from addressing this inevitable need for their organizations.

Confirmation bias

"If millennials are lazy, entitled, and disloyal, why invest in them at all? They're just going to leave regardless, so what's the point?"

Gen Y mythbusting aside (we wrote a book on that), businesses that invest in developing their next leaders are bucking the bias. Not only are they successfully attracting, growing, and retaining millennials, they're making the entire organization more comfortable with the transition.

Survivorship bias

"We've done pretty well without actively developing next leaders. Why do we need to change now?"

It is easy to get distracted by past success and lose sight of the big picture. Things change, and just because your organization has made it this far with your current tools, you might be missing a significant shift without even seeing it. Without a plan to transfer crucial knowledge, and prepare next leaders, consequences for long-term viability of your business could be catastrophic

Availability heuristic

"We do speeches, seminars, and lunch-and-learns, so we're comfortable with how we develop people."

When making decisions, we prioritize what is nearest to us, both in proximity and in our minds. Since most leaders have spent decades using outdated methods of training and development, they assume those methods worked. Organizations that successfully develop next leaders are digging deeper for creative solutions.

Overconfidence effect

"It's my job to develop our next leader. If I can't, then who can?"

Organizational leaders, particularly founders, tend to feel that it's their exclusive responsibility to groom the next generation of leadership. How, when most executive leaders are already working 50-60 hours a week, are they supposed to carve out an additional eight hours (at minimum) for coaching and development?