Medill NORTHWESTERN UNIVERSITY NEWS SERVICE

A **Chicago** publication of the Medill School of Journalism

Employers prepare for life after Boomers

BY SARAH E BALDAUF
MAY 26, 2005

As the first crop of some 76 million baby boomers approaches retirement age, human resource professionals and company decision-makers are facing the considerable task of figuring out how to prepare for their replacement while not losing their knowledge.

"Getting ready for the crop of senior leadership to retire is on everybody's mind," said Christine Mackey-Ross, a healthcare executive recruiter at consulting firm Witt/Kiefer, Ford, Hadelman, Lloyd Corp. in St. Louis.

"Lots of market forces are at work," she said, "and we can't predict how it will pan out."

In a May survey conducted by Robert Half International Inc. staffing service in Chicago, 55 percent of executives polled are "concerned about losing key staff to retirement in the next five to 10 years;" 78 percent said their organizations are taking steps to compensate for the loss of baby boomers.

Rita Danker, vice president of organizational development and human resources at Schneider Electric North American operating division in Palatine, said she is preparing for a "mass exodus" of baby boomers entering retirement. The company is part of Schneider Electric SA, of France, which reported net income of $543.3 million in 2003.

"Anyone who thought it was tough to find the right people to fill jobs in the '90s in the midst of the dot-com craze is in for a real surprise," according to Danker.

Of Schneider Electric's 10,000 U.S. employees, 20 percent have been with the company for at least 25 years. With such a significant portion of the electrical distribution and automation company's workers coming into the twilight of their careers, Danker's approach has been to take the impending change quite seriously.

Schneider Electric's CEO, David Petratis, has charged her and other top executives to "push accountability and responsibility down in the organization" and teach younger people how to run the business.

Like many older, well-established companies, Schneider Electric has relied strongly on a traditional workplace environment and has enjoyed "a legacy of having employees with us for generations; we have a real need to keep that legacy going," said Tim Trush, communications manager at the company.

"If you're a leader and you can't look over your shoulder and see who you've mentored to take your position, then you have a problem," said Mackey-Ross.

The process of preparing the younger set of future leaders to take the helm is not new to Schneider Electric, which has over a decade's worth of leadership cultivation. But it has "taken on a new sense of urgency with the crisis," Danker said of the looming retirement of baby boomers, the generation born between 1946 and 1964.

NORTHWESTERN UNIVERSITY

Of the race to preparedness, Bob Callan of the Oakbrook-based executive search firm Robert Callan Associates Ltd. said, "we are seeing more and more talent identification and moving the A-players up faster. [Companies are] doing all they can to protect their people ? they're mentoring them better."

Danker explained that Schneider Electric has implemented a process of identifying around 30 managers with "leadership potential" each year. These people enter into a mentoring relationship with a member of the company's senior management and are assigned tasks to be tackled in teams, classroom work and through online modules. Years ago CEO Petratis was a mentee in one of the first such grooming classes.

"We're basically mentoring for them to become our replacements," said 30-year Schneider Electric veteran Doug Buchanan, vice president of quality. "We're getting close to the time for the window to retirement to open; the two challenges are quality and speed," explained Buchanan, who has been integrally involved in the leadership training.

The challenge being put to younger managers who participate in the leadership succession programs at Schneider Electric is: "Can you get through and how fast can you do it?" said Buchanan.

But what it really comes down to, he explained, is the intangible relationship between mentors and those they guide toward management and executive roles. "It's like parenting," said Buchanan, an alumnus of the company's professional management development program in 1999.

"We've all been through the high school and teen-age years, adolescence, marriages," Buchanan said. "It's passages; mentoring is about successfully recognizing and navigating the successes and failures."

But challenges to cultivating lasting allegiance may get more stubborn as the market shifts with the retirement of aging boomers. The old image of the "company man" or woman who devotes an entire career to one corporation is becoming far from typical.

"In an average career, any job is usually no more than three to five years," said Ken Daubenspeck, of Daubenspeck and Associates Ltd., an executive search firm in Chicago. "And that has an impact on the knowledge base. There's so much cross-pollination going on" he said of the trend of workers bouncing from job to job and industry to industry.

The fear that knowledge and experience will erode with baby boomer retirement has companies worrying about how to hedge for the future. Daubenspeck said that finding candidates who can offer a wealth of knowledge is no longer the main challenge, inasmuch as the information age has greatly advanced people's ability to gain access to knowledge.

"There is an undersupply of experience and an oversupply of information and knowledge," Daubenspeck said. "Experience ? that's where the real drain is."

The strategy of priming the youngest generation early in their careers is beginning to be viewed as crucial to charting a company's future ? especially if the predicted deluge of simultaneous retirements comes to pass.

Abbott Laboratories in Lake County has taken steps to ensure safe passage through the upcoming years by allowing certain employees - typically those younger and newer to their careers -- to rotate through several jobs over the course of two years.

"It helps develop managers more quickly -- getting exposure to different things," said Julie Ferguson, Abbott spokesperson, of the company's philosophy.

Of its 15,000 employees in Lake County, Ferguson said 4,000 have been with the company for more than 20 years. Abbott reported $3.2 billion in net income for 2004.

Abbott's strategy has also taken into account younger generations' waning loyalty to a single employer over the course of an entire career. "The thought of staying with a company for so long is daunting to them," said Ferguson of the changing dynamic in the marketplace. Part of the challenge is developing incentives that are attractive to young employees.

Jon Burgart, who started one of Abbot's professional development programs after he graduated from Iowa State University in 2001, explained its appeal: "For each six month rotation, you're given one year of experience."

Burgart, now an associate research engineer in the manufacturing sciences and technology sector at Abbott in Lake County, worked in the plant and pharmaceutical engineering departments, on a regulatory assignment for the Food and Drug Administration and as a supervisor in compressing operations, which he described as the "art form" of converting powder drugs into pill form.

He has maintained a valuable relationship with his mentor, who has 20 years of engineering experience with Abbott and ushered Burgart through his "curriculum" in the program. "We talk about business and growth planning ? where my career is going," Burgart shared. The two have become friends and see each every two months "to talk shop."

Abbott also launched an internal online mentoring Website in April, which allows a protégé to request specific characteristics or experience and get paired with an Abbott mentor.

While companies are aware of the need to cater to future leaders in a soon-to-dwindle pool of workers, Daubenspeck noted that many baby boomers got burned in the dot-com bust of the '90s. They saw their nest eggs diminish drastically, which may actually buy companies some time. Baby boomers are now "trying to rebuild their funds and they're motivated by more security-based incentives," he said.

In efforts to retain knowledge and experience, companies are also exploring ways to negotiate lifestyle benefits that are specific to employees in their 50s. "People are looking for ways to meet their life challenges," said Brian Little, a human resources spokesperson for HSBC North America Holdings Inc. in Prospect Heights, a subsidy of British bank HSBC Holdings plc, which reported pre-tax profit of $6.1 billion for 2004.

Because they hold leverage with their experience and knowledge, the market of older employees is demanding benefits that fit their stage of life. Many have aging parents, so companies are offering elder-care options in their benefits packages as well as "flexible work hours," Little said.

There's also been a focus on "people contemplating retirement and how to round out their career," Little said. He told of a recently-retired employee who gave HSBC an extra year of service in a consulting role in the company's credit risk area, which determines how to examine customers and what type of credit to extend to them.

"He became a loaned resource, an internal high-end consultant" to different global offices; "he had a lot of experience and knowledge ? we want to keep that," Little said.