

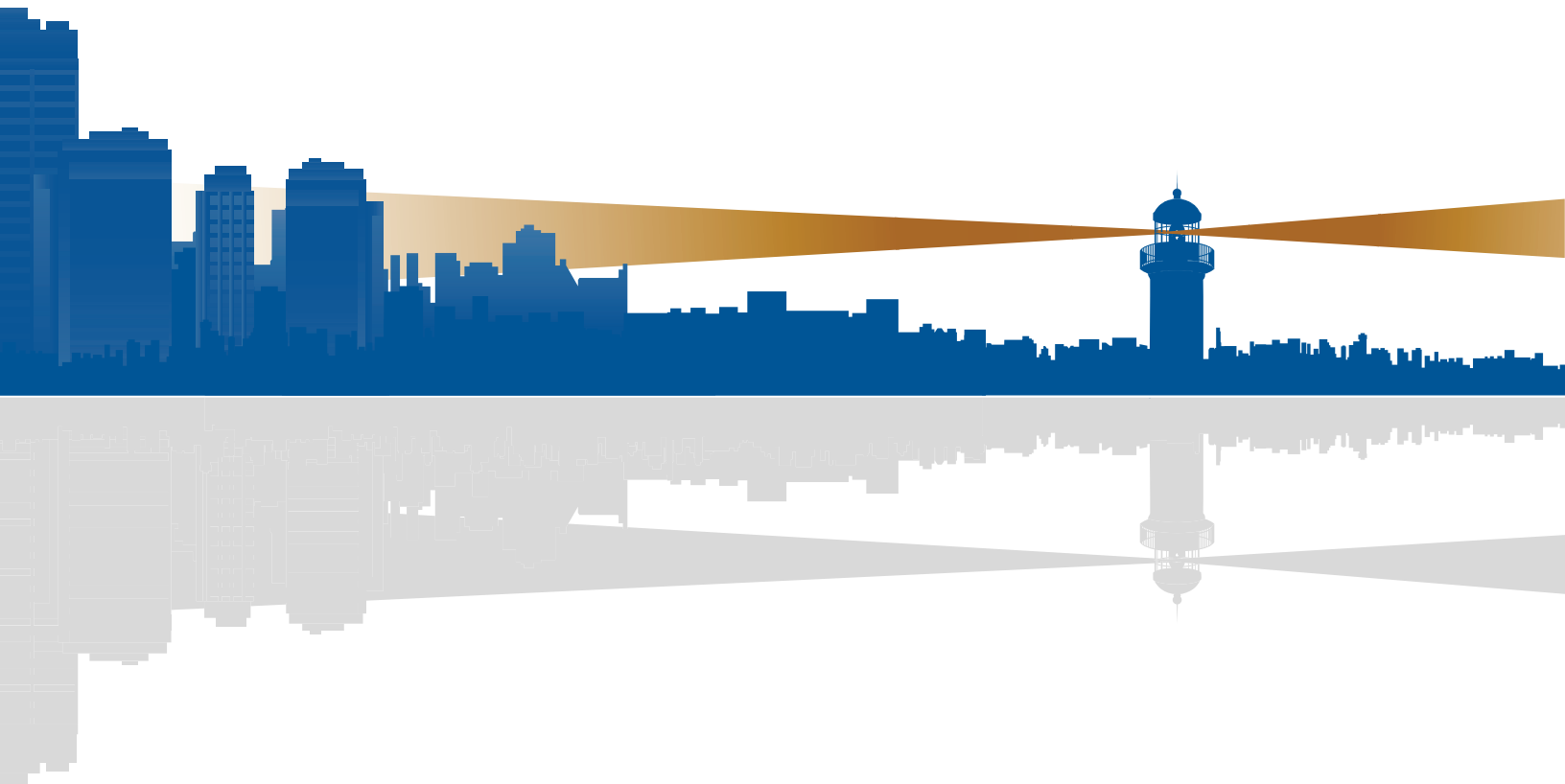


THE BEACON GROUP

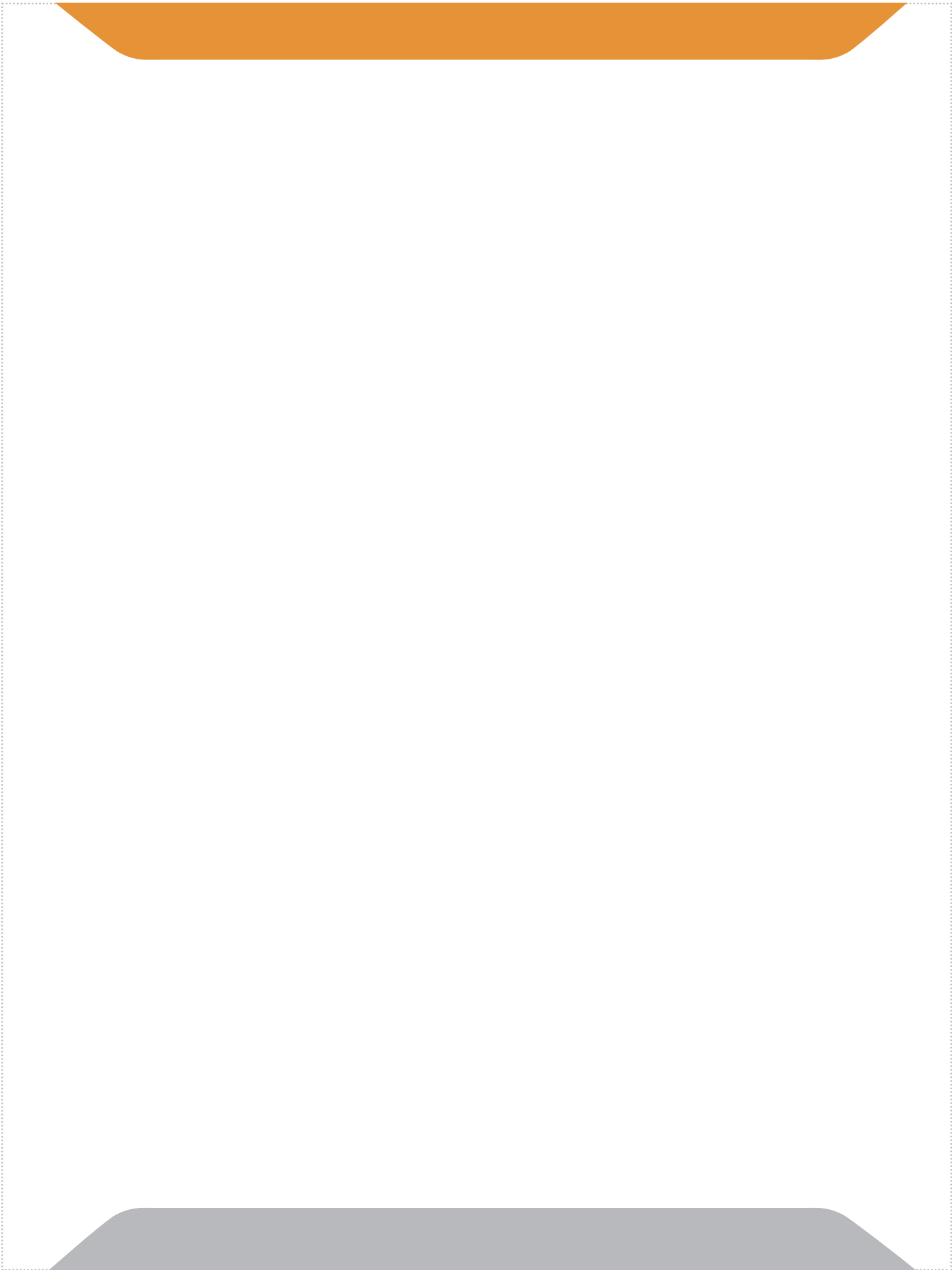
Navigate the Future™

"Building Benchstrength for the Future"

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Executive Report on Leadership & Business Strategy





In Our View ...

In the face of day to day challenges and continuing economic uncertainty, it may be unreasonable to ask senior executives to push back from their desk and invest some quality time in thinking about the future of their human capital balance sheet. On the other hand, in a world of uncertainty, one of the few things we know for sure is the future is coming, whether we are ready or not. At The Beacon Group, we are concerned about the changing nature of the employment market and the fundamental evolution that is taking place.


It seems to us, the type of talent which will be required on the other side of the current economic doldrums will likely be very different. The changing economic context, increased globalization, the unrelenting surge of technology and the phenomenon of social media will all combine to create an environment unlike the past. In the same way we have seen consumers vote with their wallet, and sharpen their buying habits with the search for high value at one end of the spectrum and low cost at the other, we expect the same trend will become part of the talent market as well. We imagine the talent market will splinter, yet again, and we will see the divide between the haves and the have not's get even greater still.

As if this were not enough to worry about, we expect there to be a continuation of the trends and changing patterns we have seen, ranging from less loyalty and permanence on one hand, to higher expectations and a premium on the employment experience on the other. This leaves senior executives with yet another conundrum to resolve – how will they position their organization to compete in a changing talent market while, at the same time, facing an increase in the outflow of long serving employees from the tail end of the baby boom?

Yours truly,

R. Douglas Williamson
President & C.E.O.

Decline of the Dream ...



The very nature of work has changed, and most experts agree it will continue to do so. The changing global marketplace, the silver tsunami of aging baby boomers, and ongoing economic discontinuity are all part of the puzzle, but they are the obvious and visible changes. There is something more profound affecting the world of employment. We can see it in the professional services markets amongst young lawyers, dentists and doctors. We can see it in manufacturing amongst young engineers, technicians and quality control specialists. We can see it in the retail sector amongst buyers, store managers and marketing professionals. The professional pathway forward today is just not the same as it was even 30 years ago. The fundamentals have changed.

There are a number of forces which have conspired in this regard.

- The de-layering of middle management across almost all sectors means there is just not the same number of jobs available to aspiring professionals.
- The stepping stones to regular progression and upward mobility have been reduced, and the flow through the professional pipeline from junior position to middle to senior has been significantly slowed.
- The first rung on the ladder to a professional career is higher off the ground than ever before, and many people are not able to reach even the first step.

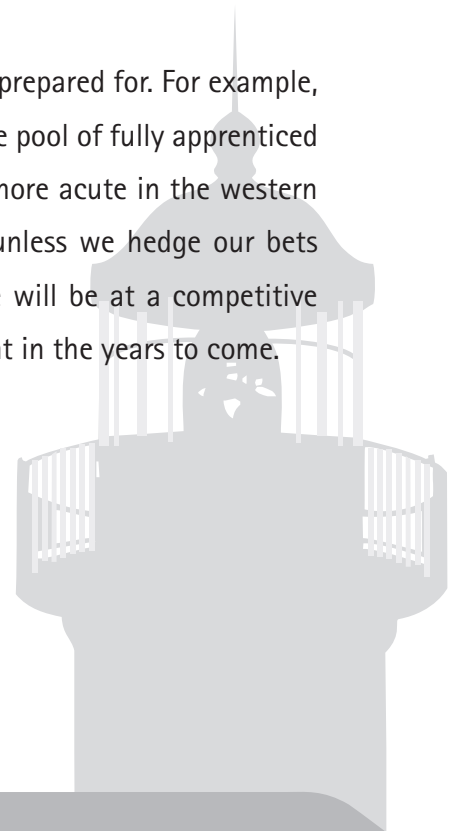
These are structural changes that alter the landscape of opportunity for young professionals and present a real challenge, both economic and social, for our businesses and communities.

Paradise Postponed ...


As the speed and trajectory of professional growth and promotion through the ranks of most organizations has slowed compared to the 1970 through 1990 period, we paradoxically find ourselves with a better trained, better educated, more confident and more worldly pool of young professionals seeking to take a seat on the same comfortable gravy train their parents enjoyed. Instead, they are finding themselves seriously disappointed and disillusioned, and have every right to ask the tough questions about why this has happened and what next.

Their prospects are not great because not only has the pool of those important and valuable entry level and middle manager jobs shrunk, but portions of those roles are now being handled by aging middle managers working down a level as they hold on until retirement. This pressure from both ends creates a dilemma and, because the traditional apprenticeship pool has been compressed, it will leave us with a talent and experience vacuum out into the future.

This presents some hidden risks most organizations are not prepared for. For example, even when supply and demand comes back into balance, the pool of fully apprenticed individuals will simply not be there. This exposure will be more acute in the western economies than in India, China and South America and, unless we hedge our bets now by taking action in anticipation of the inevitable, we will be at a competitive disadvantage when it comes to qualified management talent in the years to come.



Inflated Expectations ...



Having presented one side of the case, it is only fair to present the other, even if it is the one most talked about inside organizations already. Every organization has had to come to grips, in recent years, with the phenomenon of adapting to the Generation X and Y cohorts. A generation popularly labelled as being less loyal, more entitled, less hardworking and more easily distracted. This caricature of the carefree, spoilt and indulgent brat is broadcast through the personas of popular music stars, sports heroes and magazine clothing models.

To the dismay of most 55 year old parents, they see their 25 year old children with hyper inflated expectations and standards, which make them wince even though they are the ones who produced a lifestyle and provided an upbringing where this was made possible. They assumed their children would follow the same upwardly mobile path built on good jobs and relative security. Instead, they see their adult children having acquired too fine a taste for gourmet burgers, expensive craft beers and addictive electronic devices, which they might not be able to afford if it weren't for the fact 42.3% of young adults between the ages of 20-29 are now living at home, up from only 26.9% in 1981.

We have spawned a generation who have seen and felt the benefits of the final destination, but who have no sense of the journey it entails. A generation of young men and women who assumed there would be an active, vibrant, willing market for their services that has not materialized, on cue, as they now graduate from school and seek well paying middle management jobs.

Shifting Values ...

Alongside this perhaps easier to understand rational explanation of the employment market supply and demand conundrum, we have the even more perplexing shift in values, attitudes and behaviours. No doubt every generation has felt the one coming behind is less hard working than they were, but that would be far too superficial a tag to place on this current generation of young wannabe professionals. If we take a somewhat more objective, and at the same time broader perspective, we can perhaps begin to understand what lies beneath the visible symptoms we see.

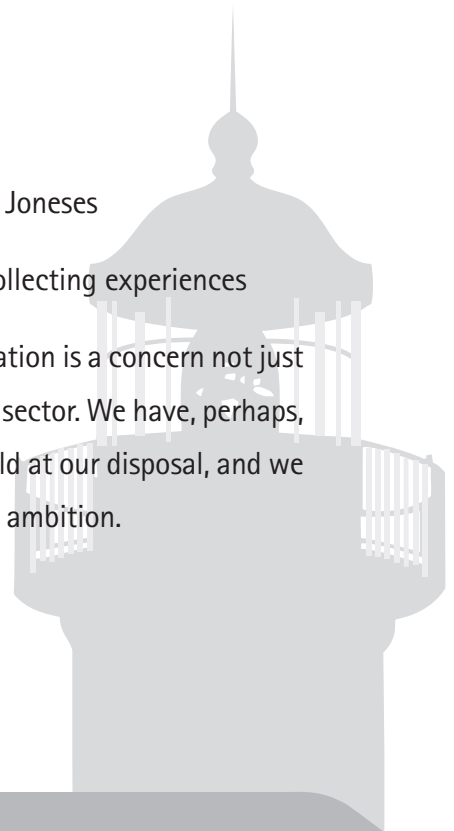
We have a generation that, generally speaking, are:

- More aware and well informed
- More networked across a much broader universe
- More cynical, suspicious and intolerant of perceived injustices


At the same time, they are also:

- Less gullible and less likely to be manipulated
- Less inclined to be motivated by keeping up with the Joneses
- Less interested in gaining experience, but rather in collecting experiences

The future gainful and worthy employment of this next generation is a concern not just for them, but for all of us, and especially those in the business sector. We have, perhaps, the most talented pool of individuals in the history of the world at our disposal, and we need to figure out how to channel their energy to meet their ambition.



New Work ...



Perspective is so crucial to how we view the world. View a problem or a challenge through too wide a lens, and you miss the fine detail. View it through too narrow a lens, and you may overlook some important insight that lies just outside your field of vision. In terms of the human capital talent challenge we face in business, it is important we take time to get the perspective right before we jump to conclusions.

In this respect, we are probably wise to use a wide angle lens.

The lens that fits best would allow us to examine the wide sweeping changes that have taken place in the employment markets over time and to understand we are in a transitional place between the end of one era and the beginning of another – as we have been many times before.

- The shift from the Agricultural to Industrial Era put strains on the human capital market in certain ways as men became workers for someone else.
- The shift from the Industrial Era to the Service Era put new and different pressures on both employers and employees as work became less about craft and more about personality.

At the same time as the Service Era was taking shape, there was another overlapping offshoot that went in a different direction. The Information Era came in, a time in which workers became valuable for what they knew and their ability to access it.

Today the shift has already begun to what Richard Florida and others have called the Creative Era, or the Conceptual Era, in which the value of human capital is defined by what you do with what you know. The subtext here is about the cognitive and design power of people, and their ability to weave together diverse components to create products and experiences that feed the emotional needs of others – allowing people to feel good, be connected and be treated as individuals.

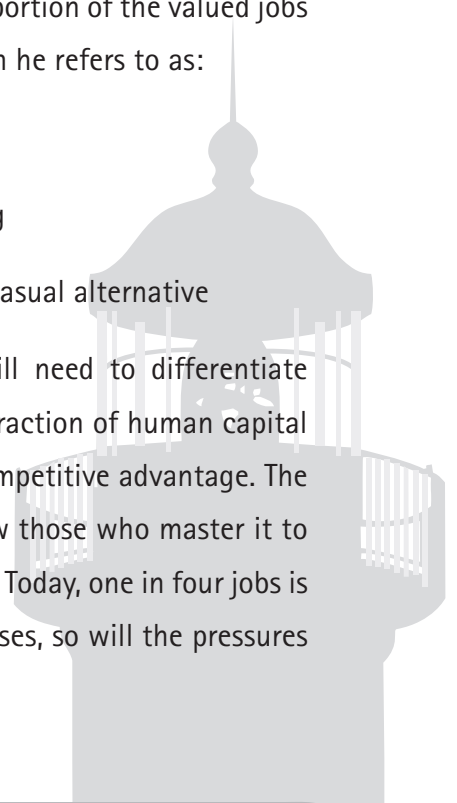
New Challenges ...

Employers in all sectors of the economy have a huge challenge ahead of them. In the same way customers are demanding new and different products and services from the organizations they do business with, so too is the talent base within those same organizations. In the same way consumers are increasingly willing to exchange loyalties, or bypass conventional channels and products to arrive at a place where they perceive the value is higher, the utility better and the experience more satisfying, so too are employees. The consumer pendulum has swung in the market and so it will with the talent base of the future.

Daniel Pink wrote a book entitled "Free Agent Nation" wherein he spells out the likely consequences of this trend. It is probably well worth the time of senior executives everywhere to read it and examine the arguments he makes, and the implications he sees, as the non-traditional employers of the future begin competing for talent with the conventional markets of the past. He suggests a rising portion of the valued jobs in the future will be in three non-traditional spheres which he refers to as:

- The Soloists - who hang an individual shingle
- The Temps - who will not commit to a full-time gig
- The Microbusinesses - who offer a small, flexible, casual alternative

At the end of the day, the result is that employers will need to differentiate themselves even more than they already have, and the attraction of human capital and talent will become one, if not the, major source of competitive advantage. The employment brand and emplacement experience will allow those who master it to thrive, and those who don't to be left picking up the pieces. Today, one in four jobs is in these non-traditional sectors and, as the number increases, so will the pressures on conventional employers.



The Role of Academia ...

Several years ago, noted McGill University professor Henry Mintzberg wrote a controversial book entitled "Managers not MBA's ". The premise of his argument was that the traditional MBA degree has served its purpose and, going forward, it will not be a useful proxy for determining success in the hallowed halls of business. Indeed, he suggests a more well-rounded background might be more desirable in a world in which practical skills and knowledge will be in greater demand.

Mintzberg could very well have been reading a crystal ball as the boomerang generation heads back home with their degrees under their arm, and no job prospects on the immediate horizon. Whereas the MBA was once seen as a primary filter through which the large bureaucratic organizations could effectively vet the up and coming talent, and thereby reduce their risks, today the skill sets have changed so dramatically the old filter has significantly reduced applicability.

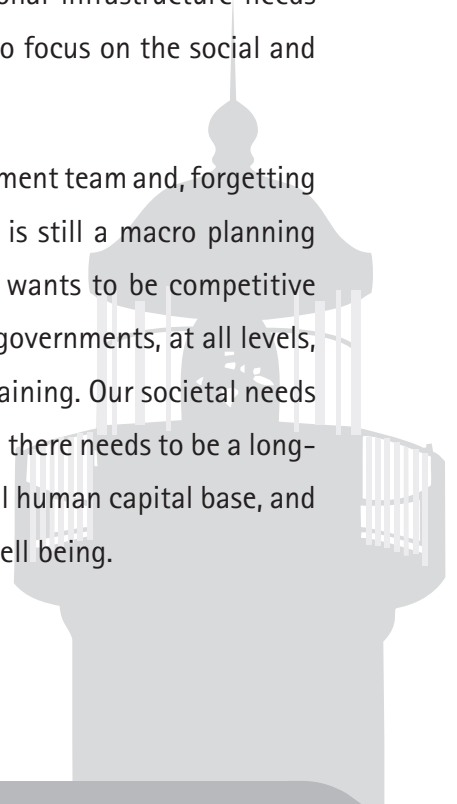
In the emerging workplace of the future, the leading business schools will need to rethink their role, and it could be that we will see a re-emergence of the technical schools which teach young people a practical craft, rather than a theoretical set of principles. Regardless of the nature of their curriculum, it can only be a matter of time before there is a new kind of partnership required between the academic and the business worlds, if we want to create a value chain that runs seamlessly from front to back in an integrated manner. In this regard, the natural solution might be co-op programs boosted on steroids to create the kind of real world experiences and internships that were previously part of the junior manager ranks in larger corporations.

The Role of Governments ...

In the old economy of industrial based, blue collar employment, governments were known to play an important, well meaning and even honourable role in supporting the major national infrastructure projects necessary to ensure the country had the modern means to compete effectively and efficiently. In recent years, it has become rather unpopular to suggest government should play any role in helping the greater good with strategic, long-term investment and, while that may be true in areas where private industry can realistically fill the void, it might need to be rethought in the broader context of our human capital infrastructure.

Maslow taught us something about the hierarchy of needs and how, as we mature along the sophistication and satisfaction continuum, our needs change along with it. Once our basic needs have been attended to, he suggested we naturally begin to seek different satisfactions of a more altruistic nature. So it is in business and the economy in general. Now that we have our basic, traditional infrastructure needs attended to, it is natural we should lift the bar and begin to focus on the social and human capital infrastructure of the future.

Workforce planning is the responsibility of any good management team and, forgetting for a moment whether they do a good or a bad job, there is still a macro planning requirement required on the part of any government that wants to be competitive on the global stage. In this respect, it is simply logical that governments, at all levels, have to do more than provide job assistance or very basic training. Our societal needs have increased along with our sophistication and, somehow, there needs to be a long-term view taken of how we are going to develop our national human capital base, and deploy it in a manner to sustain our social and economic well being.



Steps to Take :: Actions to Consider

The world of business is an exciting and rewarding place to forge a career. Generations of Canadians have been able to make a great life on the back of jobs they took as young people in the banks, insurance companies, retail operations and factories across the country. Right up until the 1990's, they could join a well run organization right out of school, and progress through the ranks, learning their craft along the way. They took on ever increasing levels of responsibility as they moved from cubicle, to office to executive suite, and were able to raise their families in comfort and style. The children and grandchildren of that generation came to expect the same, if not better, and now face a wall of disappointment.

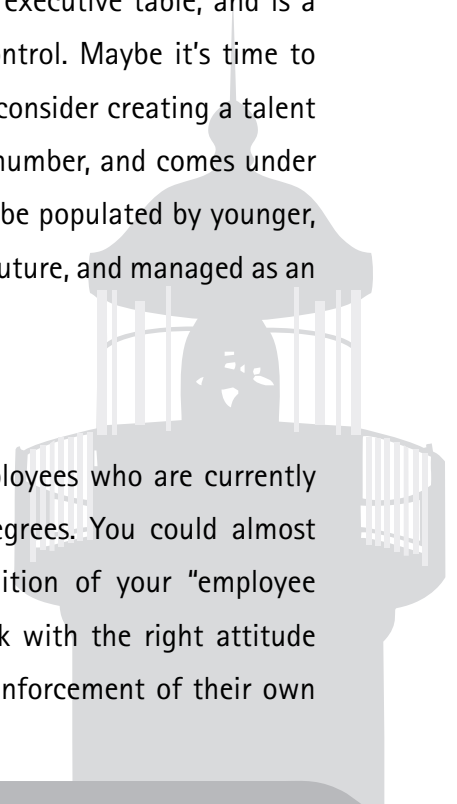
While conditions are difficult, they are not impossible if business leaders take steps.

Think Beyond the Quarter

Headcount management is always a big issue around the executive table, and is a number everyone focuses on as a crude proxy for cost control. Maybe it's time to take a slightly longer-term, big picture view of things and consider creating a talent pool "buffer" that is outside of the traditional headcount number, and comes under the direct control and management of the CEO. This could be populated by younger, first-time new hires that the company will need out in the future, and managed as an investment fund, rather than a line item of cost.

Take an Educated Risk

There are no doubt sons and daughters of your good employees who are currently looking for work, having finished their undergraduate degrees. You could almost consider employing them as part of an expanded definition of your "employee benefits" program. Our guess is they would come to work with the right attitude and their working parents would see this as a positive reinforcement of their own commitment to the organization.



Create Meaningful Apprenticeships

It is not so long ago that organizations understood the benefits and advantages of having apprentices as part of the labour pool. A small group of individuals who could learn on the job and, along the way, provide an extra set of hands to support the more experienced workers. It may be time to reinstitute a modern form of this practice in not just its blue collar form, but in a modern white collar manner as well. Some professions, like law and accounting, still find this a useful process and perhaps others can as well.

Bolster your Co-op Program

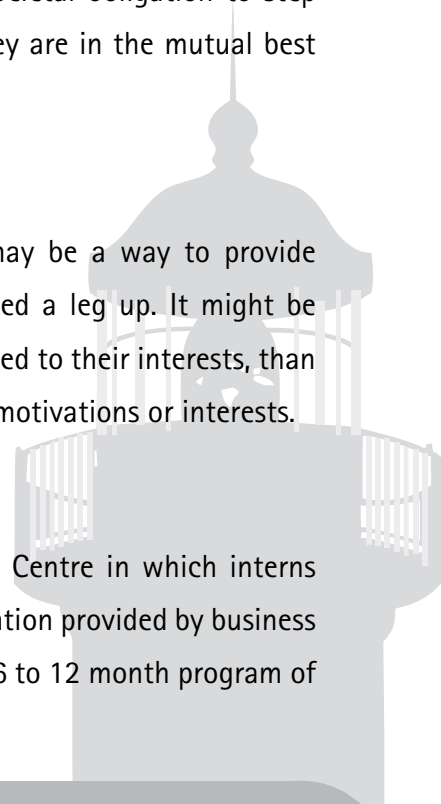
University students, and those from colleges and trade schools, are finding it more and more difficult to secure meaningful and relevant co-op opportunities to augment their academic training. It seems to us, business has a societal obligation to step up its own commitment to these kinds of programs as they are in the mutual best interest of all parties and the community at large.

Rethink Job Sharing

Job sharing between two deserving young job seekers may be a way to provide valuable experience and training to a generation who need a leg up. It might be better for them to take half of a decent job, somewhat related to their interests, than a full-time job that does not match either their skills sets, motivations or interests.

Develop an In-House Learning Centre

Another option would be to create an In-House Learning Centre in which interns could be introduced to the workplace through further education provided by business managers. These managers could serve as the faculty for a 6 to 12 month program of practical skills, training and orientation.





The Beacon Group is ...

We are a Canadian-based professional services firm supporting clients throughout North America and around the world. We work with organizations in all sectors and industries in the development of their business strategies and in helping them leverage their investment in human capital.

Our goal is to support senior leadership teams in their efforts to:

Optimize - strategic positioning and market opportunities

Maximize - long-term organizational effectiveness

Develop - leadership competency and fitness

Create - superior levels of performance

Our practice is divided into four main areas of expertise:

Strategy | Culture | Talent | Leadership

When integrated, this broadly based expertise provides our clients with a comprehensive Organizational Health and Business Performance System.



Our Core Values

We believe ... mindset, attitude, character and behaviour matter. It is vitally important to be clear, consistent and authentic. This is especially true when serving as a "trusted partner" to the organizations who work with us.

We commit ... in all aspects of our client relationships, to being:

Progressive - forward thinking, ambitious and pragmatically radical

Thought Leaders - innovative, audacious and imaginatively bold

Passionate - loving what we do and creating passion in others

Customer Driven - dedicated, involved and fully committed

Responsive - fast acting, intense and able to anticipate

Agile - enthusiastic, nimble, adaptive and courageous

Our Approach

We support ... progressive leaders and ambitious organizations in developing relevant Business Performance and Human Capital strategies that have an immediate impact.

We partner ... with them to create and implement robust strategies, solid frameworks and pragmatic solutions, allowing them to lead with confidence and deliver results.

We achieve ... this through a commitment to:

Providing - a comprehensive, integrated set of organizational effectiveness tools

Focusing - on building customized solutions to meet performance challenges

Supporting - mission-driven leaders with their transformational agendas

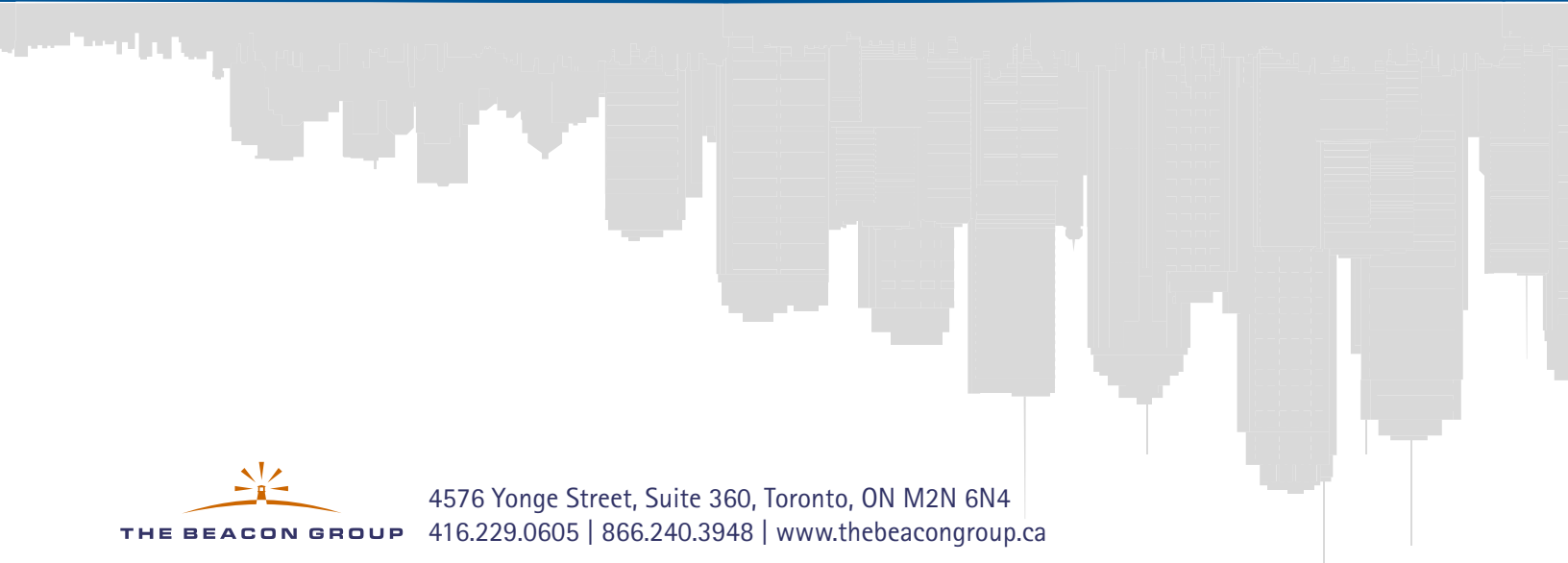
Appealing - to those with a pragmatic, no nonsense approach

Executing - our work with punch, panache and know-how

Delivering - results that make a difference



Strategy | Culture | Talent | Leadership



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