

Next up in the workplace: Generation Z

If you're just starting to learn how to work best with members of the Millennial Generation, brace yourself. A whole new generation is starting to enter the work force, and within five years they will hold 20 percent of the jobs.

Generation Z, a placeholder name given to young people born after the mid-1990s, has a whole different set of expectations and workplace behaviors than the generations that came before.

The first generation that has always had the Internet – one of the words batted around as a name for the generation is *igen*, after iPods and iPhones – the new youngest generation of workers grew up watching their parents and grandparents struggle financially through the recession.

So, not surprisingly, money and security mean a lot to Gen Z, more than they do to the millennials before them, according to a study of 770 college students by Robert Half International and Enactus, a nonprofit group that focuses on entrepreneurship.

While Millennials have the reputation of valuing work/life balance more than a big salary, Generation Z graduates place a higher priority on salary – and managers should expect to pay more in the years ahead to attract the best young talent.

The mean salary the college students interviewed expect on their first job after college is \$46,799, the study found. But they plan to give employers their money's worth. Three-fourths of respondents say they anticipate

working harder than previous generations.

Perhaps surprisingly, since they grew up with texting, emailing and social media, members of Generation Z much prefer face-to-face communication on the job. They want genuine connections that go beyond technology, and they want authentic and frequent feedback. They are looking for upfront input from their superiors before they start a project, and they want their supervisors to touch base with them often.

Like the Millennial Generation before them, Gen Z workers are used to getting career-related input from their parents, the research report said, so don't be surprised if they share their parents' opinion on a project with you.

Members of Generation Z on the cusp of starting their careers expect to progress quickly, so the challenge may be to retain them. Lifetime learners, Gen Z employees may look for other employment if they aren't being challenged enough. They want rigorous training and mentoring. They are also innovative and entrepreneurial and will bring fresh ideas to the workplace.

One-third of the Gen Z age students interviewed expect to be managing or supervising employees in a corporate environment five years after graduation. One quarter expect to climb the corporate ladder, and 20 percent want to start their own businesses.

They want to know that their ideas are valued. The biggest concern of the college students surveyed is working in a multigenerational work force in which Baby Boomers may not take their ideas seriously and view them as "kids," the study found.

While 79 percent believe it will be easy or somewhat easy to work with Millennials, 45 percent think it will be difficult or somewhat difficult to work with Baby Boomers. The study's developers said it is important for management to ensure that members of each generation treat the ideas and work product of other generations with respect. ■



Generation Z graduates place a higher priority on salary than the Millennial Generation before them.

Nov./Dec. 2015

S E E

⇨ *Hyperlocal movement boosting small businesses*

⇨ *How to avoid the Peter Principle trap at work*

⇨ *Are you fueling your leadership pipeline?*

I N S I D E

Hyperlocal movement boosting small businesses

The local movement, whether it pertains to shopping, food or news, has been building momentum for some time.

In response to the huge marketplace shares held by often faceless corporations, being connected locally has meaning to consumers. This is a welcome development for small businesses since many depend on area residents for the bulk of their business.

Along with the new focus on dispensing dollars locally,



young customers also value experiences more than possessions, according to recent polls by Zipcar. The Intelligence Group found in a 2014 study that customers who were 18-36 years old preferred access to goods rather than ownership.

At the same time, during great changes in the newspaper industry, publications

that focus on local news are remaining relatively healthy, while large flagship newspapers are downsizing. People want to know what is going on in their communities.

Hyperlocal as it relates to business has come to mean the combination of mobile applications and global position system (GPS) technology. The ability of GPS systems to pinpoint locations is what makes hyperlocal possible, since hyperlocal means a geographic area much smaller than a city or town. Many applications zoom into a block or within a mile or two radius.

Location-setting is now a feature of many websites, both

to track the geographic range of viewers and to make targeted advertising possible. News sites that are hyperlocal – community or neighborhood-based – can offer advertising that is specifically targeted to residents.

Mobile applications created for use locally can also be used by small businesses for pop-up, limited-time or general advertising. An example is Foursquare, which allows users to find businesses that are in close proximity to their present location.

According to the company's website, 93 percent of businesses are already listed. Customers can post tips, reviews or photos about these businesses. By claiming the listing, a business owner can post photos and information, make special offers, list tips and review visitor analytics. Advertising campaigns are also available to boost the listing to the top when potential customers search.

Facebook, which has been around for years and has been criticized for limiting business post reach, is also offering hyperlocal advertising. This option can be used as frequently as a business desires, either for ongoing advertisements or special offers. Various approaches and offers can be tested.

Belly is another application that lets customers build points through purchases. The business owner sets the rewards scale.

Costs of these applications vary. Foursquare charges a small fee to claim a site and bills monthly for responses to advertisements. Belly has a monthly package fee starting at \$99. Facebook charges for advertising, with a cost per click or impression.

Hyperlocal is the next iteration of social media and one that businesses can benefit from. These new applications offer ways to test and launch marketing campaigns that deliver. ■

Four ways to avoid the 'Peter Principle' trap at work

The Peter Principle, a concept developed by Laurence J. Peter in the 1960s, says that "Employees tend to rise to the level of their incompetence." In other words, they are promoted until they reach the position where they aren't competent enough to be promoted further.

Peter's theory was based on the practice – as common now as in his day – of promoting an employee to a new position because of his or her ability to perform in the prior position.

That, in itself, may not sound like a bad idea. The problem is that the requirements of the new position often have little to do with the requirements of the position the employee is leaving.

A common example is the promotion of a top salesperson to sales manager. Unfortunately, the employee's success in sales may not equip him or her to lead a group of salespeople effectively. The company loses a great salesperson, and the employee feels frustrated going from a successful position to one that requires very different skills and approaches.

How can you keep your company from falling into the trap?

1. Know what each job requires. It is important that you evaluate the jobs in your company and identify the duties and responsibilities, as well as the skills and experience that are needed. Write up a clear job description, and update it regularly because jobs change over time. When a job comes open, evaluate candidates, internal and external, based on those current job requirements.

2. Develop an interview/screening process for each job. Put all candidates for the position through the same process, both internal and external ones. Use behavioral questions that

evaluate a candidate's ability to think through and handle situations that are common in the position. Don't short circuit the process just because you "know" the internal candidate. Remember, good performance in the current job does not guarantee good performance in the new job.

3. Value every job in the company. If your company promotes an attitude of "up or out," good employees may feel compelled to strive for positions in management. This will be true even if employees don't really want to manage people, or if they aren't sure that management is the right place for them.

Both the attitude in the company and the pay scales can communicate that going into management is required for growth and advancement. Where possible, identify dual tracks – one for super producers and one for managers. Don't encourage your employees to set themselves up for failure by pursuing a management position they don't want. Appreciate them for the contributions they make throughout your company.

4. Provide training in management and leadership. Perhaps there are people in your company who haven't managed people yet, but they may have an aptitude for it. Those people can have a chance to learn more about what it takes if you provide training on management concepts and practices.

There are skills involved in being a good manager, and exposing your team to those skills may help you identify people who do have what it takes to be good at managing. It may also provide some self-identity as people realize they would rather continue to be a producer than to become a manager. ■

Are you fueling your leadership pipeline?

Good business starts with good leadership – and solid businesses continue best when a pipeline of good leaders is in place.

But, how does a business cultivate such a pipeline? How can we attract and retain people with leadership potential in our companies? The answers are complex.

Recognizing the need. Many companies fail to recognize the need for new or additional leadership in time to plan for it. In most companies, leaders are already in place, and they generally like being the leaders.

There may not be a specific plan in place to rotate roles or train successors. What often happens is that people with leadership potential get tired of waiting for an opportunity, so they leave. When the current leadership finally realizes the need, they have to go outside of the company to recruit their replacements.

Feeding the passion. Strong leaders may have a difficult time allowing up-and-coming leaders to develop their leadership skills while waiting for the “big break.”

Leadership is needed throughout an organization, not just at the top. Companies who can provide leadership-learning opportunities for those who aspire to be leaders will keep them engaged more effectively. The companies will also benefit from the lessons the would-be leaders learn along the way.

Hiring for potential. Larger companies have the ability to hire people into their Leadership Training Programs, rotating them through many areas to develop their skills and abilities. Smaller companies don’t often have the bandwidth to do so. Still, if a company wants to develop leaders within, some hires should be made with that in mind.

For example, strategic thinking skills may not be needed for the job currently being filled, but those skills will be needed in a leadership role. Looking for people with more ability and potential than is needed for the current job is prudent. At the same time, businesses have to help the individual understand that there will be a path to follow before those skills will be used extensively. As mentioned earlier, the company has to “feed the passion” along the way, while the employee grows into the leader of the future.

Providing training. Some people are born with leadership tendencies, but that does not mean they are equipped to lead. Companies who want to attract and retain leaders need to provide training in higher-level thinking, management techniques, and so on.

Much of this training will need to come from outside the organization, and the business should encourage participation and make the training available to those who want to be leaders. Some businesses fear that they are simply equipping people to go elsewhere. That may happen, but the alternative is to be left with future leaders without the training to be successful.

Providing feedback. Employees who aspire to be leaders need good feedback to help them succeed. Many of them crave such feedback because they know it will help them to develop. No news is not good news to employees who want to grow. Setting up a goal-setting process and periodic reviews will help keep them engaged and moving forward. Not doing so may cause them to look for opportunities elsewhere.

Promoting from within.

Companies may say they want to cultivate leaders, but if they constantly hire from the outside when a leadership position arises, they prove themselves false.

When employees with leadership potential who have aspirations within the company realize their hopes of advancement are misplaced, they leave.

If the company most often feels that internal candidates are not ready for advancement, the company must look at what it is doing to develop talent. While there may be times when a need arises before someone internal is ready, that should not always be the case if the company is truly planning and working to be a place where leaders can grow and thrive.

Letting go. One of the toughest things for leaders to do is to let go of their leadership responsibilities. Yet, that is the only way to let someone else take on those duties. Developing a transition process to bring new leaders into these official positions will help.

In some cases, allowing the upcoming leader to shadow the current leader will give both people confidence. Current leaders may be more willing to hand off responsibilities to employees they have groomed in this way. It is also important to prepare current leaders to move on to other things and to resist the urge to retake control. New responsibilities and challenges will keep the original leader focused on his or her own path.

Look back at your company’s history. Have you developed leaders internally? Look at your company’s future. Do you need to start developing leaders now? Don’t wait – building leadership skills takes time. ■



Companies may say they want to cultivate leaders, but if they constantly hire from the outside when a leadership position arises, they prove themselves false.



5656 E. Grant Road • Suite 200
Tucson, Arizona 85712
(520) 886-3181
Fax: (520) 885-3699

Small business retirement marketplaces growing

Providing employee benefits is often a struggle for small business owners, but a couple of states are leading the way with an innovative solution.

Illinois was the first state to create what is being called a small business retirement marketplace, similar in format to health insurance marketplaces. In May, Washington state launched a similar plan, and Connecticut has shown interest.

With the Baby Boomer generation nearing retirement, state leaders realized that many residents weren't enrolled in retirement plans beyond Social Security. In Illinois, that number was estimated to be 2.5 million people. They also found that 60 percent of low-wage workers didn't have access to a plan. Even for those making more than \$40,000 a year, only 49 percent had a plan available.

Illinois's plan is mandatory after June 1, 2017, for businesses that have operated for over two years, have 25 employees or more and don't presently offer a retirement plan. Employees will be automatically enrolled, with a minimum contribution of 3 percent of wages. Contributions can be adjusted, and employees can opt out. Several investment options will be offered.

The situation in Washington was comparable to Illinois, with 2013 AARP research showing that almost a half million residents between 45 and 64 years of age had less than \$25,000 in savings. In addition, over 1.5 million Washington workers

didn't have access to retirement plans in the state – three-quarters of small employers don't provide them. Washington's program targets employers with 100 employees and under.

Participation in the Washington Small Business Retirement Marketplace is voluntary. There will be no cost for businesses to enroll, and fees for employees are capped at 1 percent.

Employers can choose to contribute an employee match, but they aren't required to. The plans will belong to the employees, so if a new employer offers the program, they can roll it over at that workplace. They can also roll over their savings into another pension program or IRA account if the new employer doesn't participate.

Another important aspect of the plan is lack of liability for the state. State employees can't participate, so the program isn't tied into state pension funds with an associated requirement that taxpayers provide funds. The state will also not be responsible for the performance of the pension funds but will publish independent reports about performance to help employees make the right choice.

Also slated to begin in 2017, the state's next step is to identify financial services companies who want to belong to the Washington marketplace. Companies must sign contracts agreeing to certain provisions, including fees. The selected retirement options will be listed on a website so employers can choose the one that is right for them and their employees. ■

This newsletter is published by *HBL CPAs, P.C.*, a Professional Corporation of Certified Public Accountants.

The technical information in this newsletter is necessarily brief. No final conclusion on these topics should be drawn without further review and consultation.