On a recent afternoon at the Coors Brewery in Golden, Colorado, a giant vat began to sputter and fail. The equipment clearly needed immediate repair. But many of the younger employees looked at their watches, realized it was only a short while until quitting time, and flat out refused to put in the extra time needed to do the repairs. They’d done all that was required to collect their paychecks. Why go to any extra trouble for the sake of the company? They would get to it first thing tomorrow.

Fortunately, a group of older employees heard about the problem, stepped forward, and worked long into the night to fix the broken equipment and keep the plant running.

What happened? Why wouldn’t the majority of the employees take responsibility or demonstrate appropriate concern and initiative? And perhaps more to the point, what should management’s response have been? Is rewarding the volunteers and punishing those who did not help appropriate? Should the people who refused to fix the problem still be eligible for raises and promotions? Should they be fired? And how might the brewery’s managers ensure that the entire shift will show more commitment and cooperation the next time a crisis occurs?
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All difficult questions, to be sure—ones you may have grappled with yourself. Before taking action, before making any plans or disciplining anyone, managers in this kind of situation need to first recognize that they have just witnessed what we call a generational cohort effect. A generational cohort is a group of people about the same age who share the same coming-of-age experiences and core values.

A review of those Coors workers who volunteered reveals that they were older workers who belong to a generational cohort whose members value their jobs and naturally feel a strong obligation in times of crisis. Those workers who left were from a younger cohort whose members typically prize their personal time more highly and feel less sense of duty. But they weren’t teenagers. They were mature adults holding responsible long-term jobs, working side by side with members of an older cohort in apparent harmony until this crisis demonstrated their different underlying attitudes toward work.

The brewery’s managers have every right to wish that their employees would all care enough to step forward and resolve an urgent problem, even if doing so is inconvenient. Yet managers can’t reasonably expect to get that desired behavior from each cohort unless they use a different strategy with each. The way the brewery currently designs, supervises, and rewards its employees is effective with members of the older cohort—who didn’t walk away from the problem. There are good ways to motivate and manage other employees also, but they are different ways, as you’ll see in this book. (We propose a solution for Coors in Chapter 3.)

LOYALTY ON THE DECLINE

Today, workers don’t feel the same level of loyalty to their jobs and their employers that their parents did. They gripe around water coolers and in chat rooms, sounding for all the world like less-humorous versions of Dilbert. In survey after survey, employees say they don’t like their bosses or employers, and that they would take a better job in a heartbeat if they could find one.

Add to that the growing problem of employee dishonesty. Estimates put typical costs of employee pilferage and expense-account padding at 6% to 10% of revenues. A new survey by KPMG International, one of the world’s largest accounting and consulting firms, finds that 76% of
employees have seen illegal activities in their workplaces in the past year. And at large corporations where most employees are online, it’s estimated that an average of over two hours per day per employee are spent on the Internet, on personal e-mail, or even playing games or accessing porn. A small percentage of workers are even downloading files to sell to competitors or are planning vandalistic hacking attacks.

**THE CHANGING NATURE OF WORK**

The type of situation described at Coors is a common problem for many American managers. Many times their expectations don’t match those of their employees, and the end result is frustration and stress on both sides. A recent Gallup survey found that more than half of all employees are demotivated and aren’t engaged with their work. Turnover has reached record levels in many industries in recent years, and even when the economy softens, the better employees are hard to hold on to.

The new challenges facing managers have a lot to do with the changing work environment. Today, we do more with fewer people. We work with less hierarchy, wider spans of control, and flatter organizations. Thus, more initiative and cooperation are needed from employees. At the same time, the nature of our work is less structured and requires us to be more improvisational, flexible, and solution oriented, because our organizations must grow and change rapidly just to stay alive. This makes for a high-contact work environment in which we have to work well with lots of different people instead of just doing our own little jobs and then passing our work off to someone else.

The workplace has changed so dramatically that most companies are in a permanent state of chaos trying to figure out what to do. The average mid-size to large company embraces at least one major new management theory or program each year. We’ve done total quality management, management by walking around, matrix management, organizational development, flat organizations, systems thinking, quality improvement teams, process reengineering, change management, just-in-time inventories, outsourcing, supplier integration, employee recognition, suggestion systems, and who knows what else.

And many companies have flirted with even more radical notions, such as self-directed teams, open-book management, and employee
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ownership plans — all of which seem to run counter to the very essence of the typical business organization, with its top-down control and separation of owners from workers. Yet, in spite of the apparent contradictions, many companies persist in trying to make such ideas work. They have to. They can’t think of anything else to do, and they continue to face frustrations and obstacles in their efforts to manage and motivate their people.

There’s nothing wrong with many of the new management ideas. But they haven’t added up to a silver bullet. In fact, they don’t even create a clear idea of what the modern workplace should be like or how it should be managed. If anything, managers seem less in control and more frustrated today than they did 30 years ago, when the idea of wholesale training of managers in MBA programs was just getting started. Time after time, the new idea falls short, the new solution fails, and the chase has to start again.

A TOUGH BUSINESS ENVIRONMENT FOR MANAGERS

These days, many managers complain that business is tougher than it used to be. First we had the “new economy,” with its fast rate of technological change. Then we plunged into a recession and are struggling to come out the other side. And if these relatively recent economic challenges weren’t enough, there has been a long-term trend toward faster cycles of technology and product change, along with a high rate of entrepreneurship and increased competition from thousands of new companies entering the economy each year. Add the increasingly global nature of competition, and you have a far larger and less stable playing field for the fast-paced game of business.

It’s important to recognize that business does get tougher in tangible ways over time. We say this not to discourage anyone, but rather to encourage everyone to be open-minded about the need for new and improved approaches to management. New challenges can certainly be overcome — and may even provide significant business opportunities. But new challenges probably will not be overcome using the same old methods.
As things get tougher, we can still remember that the fundamentals of success involve motivating employees to perform well and providing customers with the goods and services that satisfy them.

**THE NEW DIVERSIFICATION**

In this book, you’re going to see that there is no one right way to run a business anymore. Instead, there’s such a wide diversity of basic work values among employees that most businesses need to present multiple faces and provide parallel work paths in order to get the most out of their people. The economy is changing fundamentally, and these changes are driven by changes in the makeup of the population itself.

In an earlier book, *Defining Markets, Defining Moments*, we wrote about the marketing side of this new economic equation. In *Managing by Defining Moments*, we join forces with Alex Hiam, a management consultant and author, to focus on what goes on inside a company and how to get the management side of the equation right, both today and in the coming years.

One of the most important findings from our work on generational cohorts and management is that most workplaces now have a surprisingly diverse mix of different employees — but not in the way you think. Race, gender, and religion may seem like the key drivers of diversity in businesses today, but in our research we find that the core attitudes and values that are formed during a person’s coming-of-age years are often more important determinants of workplace behavior.

In today’s workplaces, multiple generational cohorts with very different values and attitudes often work side by side. They coexist in uneasy truces that hide a great deal of underlying tension and misunderstandings. To manage everyone well and overcome common business ailments, such as high turnover and low motivation, managers need to understand and work with these subtle but powerful divisions.

Each cohort needs a culture it can identify with and work within comfortably and naturally. Having one single culture that everyone must make his or her home in is no longer effective. Having just one corporate culture ensures that no one feels completely at home in the workplace. No wonder managers can’t seem to make any of the new management theories work!
THE VALUE OF COHORT ANALYSIS

In the search for new and better ways of creating productive, motivated workforces, some managers are turning to the insights of sociology to gain a better understanding of their employees. Since the 1920s, sociologists have understood that significant political, social, or economic events can shape core values and attitudes of entire groups of people—groups of people called cohorts. While cohort analysis is well known in sociology, this book is the first time this theoretical construct is being applied to management.

Our approach focuses on the idea that to develop a more effective work environment, managers must learn to identify, profile, and tap into the latent feelings and values that were formed when their employees were coming of age, roughly when they were between the ages of 17 and 23. This was a time when they were falling in love for the first time, becoming economic beings, developing their own value systems, exploring new ideas—in essence, becoming adults. It is a very powerful time, and the lessons learned during it last a lifetime. We believe that if managers understand the impact of these shared experiences, they can better understand how to manage these cohort groups in the workplace. In this book, we explore some new ways of looking at and working with employees, new ways that can help maximize performance in challenging business environments.

In North America today, there are a number of different generational cohorts, all of which play a major role in the workplace. Each has its own values and perceptions, and the members of each cohort find it far easier to understand and work with fellow cohort members than to cross cohort divides. Yet bridging these gaps and forging effective teams out of diverse groups of employees is vitally important.

You may be surprised to find out that differences between generational cohorts are at the root of many of the most prominent and important workforce issues in the headlines and boardrooms of our era. In the coming chapters, we demonstrate that a better understanding of each cohort can resolve many problems and create powerful new opportunities for you and your business today.

While many managers would like to develop a kinder, gentler management style, one that taps into people’s unique personalities and strengths, the fact is that most don’t know how to do it. They fall back
on old-style command-and-control methods that have sat on the shelf collecting dust for years. These managers may value independence themselves, yet many end up micromanaging their employees’ every move.

Research has shown that the single most important factor in individual performance is an employee’s relationship with his or her immediate supervisor. The best, most efficient way to achieve peak performance from your employees is not to focus on their weaknesses, but to promote diversity of thought and revel in employees’ strengths. Managing by cohort — or defining moment — is one effective way to do this.

THE LONG SHADOWS OF DEFINING MOMENTS

We use the term *generational cohort* to refer to groups of people who came of age at roughly the same time. Each generational cohort is deeply influenced by the significant events that were happening during its key coming-of-age years. External events such as economic changes, wars, political ideologies, technological innovations, and social upheavals act to redefine social values, attitudes, and preferences. And these cohort effects stay with the members of that cohort and influence their behavior throughout the rest of their lives.

For example, Americans now in their late 70s and early 80s lived through the Great Depression. Individuals who are now in their 40s and 50s witnessed the assassination of JFK, saw other political assassinations, shared the experience of the Vietnam War, and lived through the energy crisis. These events, which we call *defining moments*, shape values, attitudes, beliefs, and behaviors to such an extent that these shared experiences distinguish one cohort from another.

Cohort-formed values, attitudes, and preferences do not change as a function of age or lifestyle. Individuals who came of age during the Great Depression tend to be compulsive savers and risk-averse throughout their lives because they experienced great economic hardship in their early adulthood. Similarly, individuals who came of age during the free-wheeling ’60s still value self-expression, individuality, and youth.
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Think about the values and culture of America (and much of Europe, too) during the 1960s. Now ask yourself: Would people who internalized those values in their youth fit comfortably in a strict, top-down corporate hierarchy? Would they want to follow orders without knowing why or having a chance to voice their views? Would they want to sit in a workstation in a long row of workstations that all look just alike?

Of course not! Anyone whose consciousness was branded by the self-expressive ’60s retains a kernel of that self-expressive free spirit even today. They may wear pinstriped suits when need be, but they much prefer their jeans and T-shirts. When they start and run their own companies, they create very different corporate cultures than the ones their parents created and left to them. But when they go to work for others, these square pegs still must squeeze into round holes. This is an ongoing struggle that is leaving shavings all over the carpet in many companies today.

SEVEN AMERICAN COHORTS

By the end of this book, you will be intimately acquainted with each of the cohorts that currently exist in the U.S. For now, we simply want to introduce you to the cohorts and give you a feel as to how each is unique. We have identified the following seven generational cohorts:

**Depression Cohort:** Born from 1912 to 1921, ages 81 to 90 in 2002. This group’s coming-of-age years were marked by economic strife and elevated unemployment rates. The members of this cohort had to take menial jobs to survive. Financial security — what they most lacked when coming of age — rules their thinking. They are no longer in the workforce, but they have a clear impact on many of today’s management practices.

**World War II Cohort:** Born from 1922 to 1927, ages 75 to 80 in 2002. Sacrifice for the common good was widely accepted among members of the World War II Cohort, as evidenced by women working in factories for the war effort and men going off to fight. This cohort was focused on defeating a common enemy during their coming-of-age years, and the members of this cohort are more team oriented and patriotic than those of
other generational cohorts. They represent a very small portion of today’s workforce, but they, too, have impacted today’s managers.

**Postwar Cohort:** Born from 1928 to 1945, ages 57 to 74 in 2002. These individuals experienced a time of remarkable economic growth and social tranquility, a time of family togetherness, school dress codes, and houses in the suburbs, although they also experienced McCarthyism and the Korean conflict. This cohort participated in the rise of the middle class, sought a sense of security and stability, and expected prosperous times to continue indefinitely. Many CEOs and upper-level managers are members of this cohort.

**Leading-Edge Baby Boomer Cohort:** Born from 1946 to 1954, ages 48 to 56 in 2002. This group remembers the assassinations of John and Robert Kennedy and Martin Luther King, Jr. The loss of JFK had the largest influence on this cohort’s values. They became adults during the Vietnam War, and watched as the first man walked on the moon. Leading-Edge Boomers championed causes (Greenpeace, civil rights, women’s rights), yet were simultaneously hedonistic and self-indulgent (pot, free love, sensuality). They are now beginning their ascent into upper-middle and upper management.

**Trailing-Edge Baby Boomer Cohort:** Born from 1955 to 1965, ages 37 to 47 in 2002. This group witnessed the fall of Vietnam, Watergate, and Nixon’s resignation. The oil embargo, the raging inflation rate, and the more than 30% decline in the S&P Index led these individuals to be less optimistic about their financial future than the Leading-Edge Boomers. Many middle managers, mid-level and senior employees, and entrepreneurs are from this cohort, as are members of the rank and file.

**Generation X Cohort:** Born from 1965 to 1976, ages 26 to 36 in 2002. Many members of this cohort were latchkey children or have parents who divorced. They have delayed marriage and children, and they don’t take those commitments lightly. More than other groups, this cohort accepts cultural diversity and puts personal life ahead of work life. They’re free agents, not
team players. And yet, they are being forced to participate in a fundamental workplace shift from individual to team-based tasks and organizations . . . a serious mistake, as we shall see.

Despite a rocky start into adulthood, this group shows a spirit of entrepreneurship unmatched by any other cohort. Take a look at many Internet startups, and you’ll find successful Gen-Xers who did it their way. Members of this group mainly fill rank-and-file positions, although some are beginning to move into management positions.

N Generation Cohort: Born from 1977, ages 25 and under in 2002. We call the youngest cohort the N Generation or N Gen, because the advent of the Internet is a defining event for them and because they will be the engine of growth over the next two decades. While still a work in progress, their core value structure is different than that of Gen X. They are more idealistic and social-cause oriented, without the cynical, what’s-in-it-for-me, free-agent mindset of many Xers. This group mainly fills entry-level positions today, but N-Gens are destined to step up to more important roles relatively rapidly because they outnumber their older Gen-X associates.

As you can see from the list above, age is a determining factor in cohort analysis, but by no means are we suggesting that you hire or make management decisions based on age. As Ford Motor Company recently learned when it implemented a forced ranking system, making management decisions based on age can have dire consequences. In Ford’s case, it resulted in a slew of age-discrimination lawsuits filed by older white-collar employees who claimed they were unfairly penalized by the system, which called for 10% of workers to receive a C grade, a grade that could lead to termination. A large number of older employees received Cs after their managers were forced to rank them against younger colleagues. Ford is now in settlement discussions with the employees’ attorneys.

What we’re advocating in Managing by Defining Moments is not to use employees’ ages against them, but to use age as a clue to get to know your employees better, to manage them in ways they find most effective, to diversify teams, and to ensure you get the very best performance from
the people that work for you. In tough economic times, older, higher-paid employees are often the first to go, but we believe this is short-sighted. The experience and institutional knowledge this group brings to the table is irreplaceable, and intangible in economic terms. Cohort analysis can help you to integrate these older employees with younger employees and create a workplace where people feel energized and motivated and are able to achieve peak performance.

FROM REACTIVE TO PROACTIVE

There have been many changes in the workplace in recent years. Does that mean we are already adapting to the newer cohorts? Yes and no.

Some of the newer workplace practices are, in fact, geared to workers from the younger cohorts, but these are relatively superficial changes and rarely get at the heart of the problem. Casual Fridays are the norm... and casual everyday is often found as well. In fact, casual has become so much the norm that several West coast companies have recently instituted Dress-Up Fridays, so that employees can show off their finery and be ready for a fancy night on the town! Twenty-something techies are given the option of when they show up for work, and many can even drift into the office at 9:30 in the morning only to hit the fitness center. At the height of the Internet boom, Gen-Xers and N-Gens were coddled by being given signing bonuses, being allowed to have their pets, even birds, on the job, and being allowed to design their workspaces to fit their individuality.

Even as standardized and buttoned-down a company as Microsoft found that it had to accommodate its younger workers’ need for individuality. When the company designed the Xbox, Microsoft’s video-game system, it had to hire gaming code–writers from the outside. Facing a rebellion, the company moved the group from the cookie-cutter buildings on the Redmond, Washington campus to their own funky, three-building complex, and allowed the 50 key game designers to organize and decorate their own workspaces. With few exceptions, the gamers were Gen-Xers.

As the Microsoft example shows, the current work environment is certainly different than what it used to be, and the preferences of younger cohorts are clearly responsible for these changes. Yet most of the changes to date have been quite superficial, for the simple reason.
9-11 as a Defining Moment

On September 11, 2001, much of the world watched news reports of a series of massive and devastating terrorist attacks on the United States. In addition to being a terrible tragedy, 9-11 was also a defining moment for many Americans, particularly young adults who were old enough to appreciate the events fully, but young enough not to have been tempered by other major events.

We go into greater detail about this cohort in later chapters, especially Chapter 9, but you probably already know something about it from the occasional media coverage of Generation Y, as the emerging cohort is sometimes called. As we noted earlier, we call the newest cohort N Gen, because its members are the first cohort to grow up with the Internet, and also because it is expected to be the engine of growth in the coming years because of its large size.

Young adults in North America grew up in a world of economic prosperity, at least for the average person. No major national tragedies had shattered their protective bubble. The overall economy grew, and those who wished to participate in the high-tech economy could...
have a crack at almost instant wealth, at least on paper. September 11, plus the onset of recession and the bioterrorist attacks that came on the heels of the terrorist attacks, changed everything.

For N-Gens, who had relatively little life experience, the sudden puncturing of their sense of security has no doubt had a lasting effect. You don’t need to be a sociologist to anticipate that compared to Generation X—the next youngest cohort—this group will tend to be:

More patriotic

More fearful and vigilant of danger

Sociology tell us that these values are likely to be imprinted at a very deep level and will endure throughout N-Gens’ lives.

Add to this picture the likelihood that N-Gens are probably going to be more group and team oriented—they will remember vividly the ways in which their communities pulled together in response to the terrorist attacks during their coming-of-age years. A workplace is, among other things, a community, and we can anticipate that N-Gen employees may feel strong emotional ties to their co-workers.