



the executive connection

Finding the gold in silver hair

Challenges and
opportunities
for SMEs



TEC White Paper series

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This white paper is published by The Executive Connection.

The Executive Connection (TEC) delivers standout mentorship, peer connection and world-class resources to business leaders and owners in Australia and New Zealand. Dedicated to increasing their efficiency and enhancing their lives, TEC harnesses the will and the skill to take them and their business to the next level. Through our affiliation with Vistage International Inc, we are the world's largest CEO network, connecting our members to peers in 14 other countries around the world.

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In a rapidly changing and fast moving world, slow but significant changes like the ageing of the population are easy to overlook. But no organisation – whatever industry it is operating in – can afford to ignore them.

For the first time in history, a large segment of the population in the developed world will be over the age of 55. Many people will survive to reach the age of 80 and even 90. This represents uncharted territory and will bring with it new opportunities and risks.

SMEs will be at the forefront of dealing with these changes, as in both Australia and New Zealand they represent over 95% of all enterprises. SMEs are also Australia's largest employer group and this means their executives and owners need to anticipate these demographic shifts and react to them in ways that advantage their business's future operations.

Many larger organisations have already identified the demographic changes facing them and have begun considering their implications, but for hard-pressed SMEs, the demands of an increasingly volatile and complex business environment leave little time to scan the horizon for future threats.

At TEC, we believe part of our role is to help ensure this vital sector of the economy understands and is prepared for the new terrain in which it will find itself operating. The demographic shifts will have a profound impact on the business landscape and SME

owners and executives will need to respond promptly with flexible and appropriate ideas and actions.

With the war for talent continuing due to ongoing globalisation, SME organisations need to be prepared to cope with the implications of both an ageing workforce and ambitious younger employees eager for advancement.

As a leader in delivering mentorship and peer connection, TEC has a pivotal role to play in assisting local SMEs to understand the implications of an ageing population on their business operations, their employees and their customer base.

SMEs will need to consider the impact of an ageing customer base and whether their business model, marketing and communications, and product set remain appropriate for the new world in which they will find themselves. In this report, TEC has taken a close look at some of these issues.

For many SME organisations, the changes that are occurring will represent a significant test, while for others, they offer the prospect of valuable new customers, markets and investment opportunities. This is another case where treasure is there for those businesses which are prepared to do the hard work and unearth it.

Nigel Stoke

**Non-Executive Chairman,
The Executive Connection
Australia and New Zealand**

**Executive Director,
Pandora Securities**



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Introduction

When it comes to the big trends driving change in developed economies like Australia, none is more important – and long-term – than the ageing population.

From a social and business perspective, the changes wrought by this shift will be significant. They will create many opportunities and challenges. No business – whatever industry it is operating in – can afford to ignore it.

However, the wealth of skills, knowledge, wisdom and mentorship the mature age group can provide is often largely ignored. “This resource is not fully utilised by governments, companies, communities and families.”¹

Better harnessing of the economic value of this ageing population could be significant. Deloitte Access Economics estimated lifting the participation rate among workers aged over 55 a mere three percentage points would result in a \$33 billion boost to Australia’s GDP – or around 1.6% of national income.²

SME implications

For small and medium-sized enterprises (SMEs), it is tempting to think these shifts do not affect them. Given the relentless demands of an increasingly competitive business environment, it’s easy to put off thinking about the implications of these changes.

But this approach means missing the many opportunities on offer.

From the availability of experienced and willing employees to challenges of managing an ageing workforce and a changing customer base, there are important issues to consider.

Change is coming, ready or not.

“*What is wisdom? Making mistakes and building up expertise. You need to get different opinions and experience to ask good questions. You need a difference in backgrounds and diversity for deep insights to be uncovered about an organisation and its business.*”

Jack Graham, TEC NSW Community Chair and Executive Coach and Mentor

“*Wisdom is a personality issue, not an age problem. There are some dumb young people, but there are also some dumb old people as well, as it is part of their DNA. It has nothing to do with age. The diversity of reality is hidden behind these myths.*”

Deborah Burt, TEC Chair and Coach, Facilitator, Mediator

1. Dr Stefan Hajkowicz, *Our Future World: Global megatrends that will change the way we live*, 2012 Revision, CSIRO Australia.
2. Deloitte Access Economics, *Increasing participation among older workers: The grey army advances*, Report prepared for the Australian Human Rights Commission, July 2012

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Older and greyer

Demographic changes may occur slowly, but they are having an impact. According to a United Nations' estimate, globally the proportion of those aged over 60 will double by 2050.

Longer life expectancy due to advances in medical sciences and healthcare is already seeing Australians live longer. At the start of the 20th Century, on average Australian males lived for 51 years and females for 55 years, but by 2050, the proportion of people aged 65 years or over will increase to 23%, up from 13% in 2010.³

The situation is similar in New Zealand, where the number of people aged 65 and over has doubled since 1980 and is likely to double again by 2036. By 2061, 22%-30% of the population is projected to be aged 65 and over⁴.

Where are the employees?

An ageing population has significant implications for economic growth through reduced workforce participation rates and availability of skilled workers. It also means organisations will face increasing challenges in finding skilled employees.

In New Zealand, the average age of the workforce is increasing and by 2020 it is predicted one in four people in the labour force will be aged over 55.⁵

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Demographic trends are predictable and the single most powerful force of our time. Structural change is more powerful than the macro-economic environment.

Nicky Stafford, Head of Fidelity Investment's Global Demographics Fund.

“

We were amazed there was this huge pool of expertise and knowledge available and no-one was fishing in it.

Willem Pruys, General Manager Human Resources, Bunnings

According to Deloitte Access Economics' projections, the ratio of working age Australians to those aged 65 and older will fall over the next 40 years from 5 to 1 in 2010 to 2.9 to 1 in 2050⁶.

These trends are likely to create skill shortages and a 'war for talent'. Smaller organisations and start-ups may need to look to mature aged employees, as their experience and talent is often overlooked by larger employers.

Many SMEs will find retaining and recruiting mature aged workers easier than they anticipate, as today many employees are keen to remain in employment well past age 60.

Traditional ideas about retiring are becoming increasingly obsolete as people live longer, have healthier lives and operate at peak performance levels for much longer. Over 75% of Australians aged 55-64 report their health as being 'good', 'very good' or 'excellent'.⁷

Staying at work longer

There is also growing interest in remaining at work longer. Many older workers are hitting their 60s eager for new challenges, rather than exhausted after a lifetime of hard physical work.

Research undertaken by the Economist Intelligence Unit found executives were overwhelmingly interested in working as long as they could, provided their work was more flexible⁸. Almost 80% of respondents were willing to continue working, with just 19% having no desire to work past their official retirement age.

Many mature employees are keen to remain at work to provide their lives with purpose and meaning. Often paid employment forms part of a 'portfolio' of activities they want to pursue in their later years.

Retirement intentions are changing

	2010-11	2012-13
Average age at which Australians intend to retire	62.9 years	63.4 years
Intend to retire 70 years and older	14%	17%
Intend to retire between 65 and 69 years	47%	49%
Intend to retire between 60 and 64 years	28%	25%
Intend to retire between 45 and 59 years	12%	9%

13% of Australians intend to never retire, unchanged from 2010-11

Source: Australian Bureau of Statistics, *Retirement and Retirement Intentions Australia, 2010-11* and Australian Bureau of Statistics, *Retirement and Retirement Intentions Australia, 2012-13*

Caught in a financial vice

Financial factors are also keeping many older employees in the workforce as they seek to supplement insufficient superannuation savings or nest eggs ravaged by the GFC.

Changing social norms such as higher divorce rates and the establishment of second families often sees older employees with reduced financial assets and young dependents to support.

The rise of the so-called 'sandwich generation' is also encouraging many employees to remain in the workforce longer. These workers find themselves squeezed between the financial demands of both their own family unit and the needs of ageing parents, who have insufficient income for home help or residential care. In the US, the Pew Research Centre estimates just over one in every eight Americans aged 40-60 is both raising a child and caring for a parent.

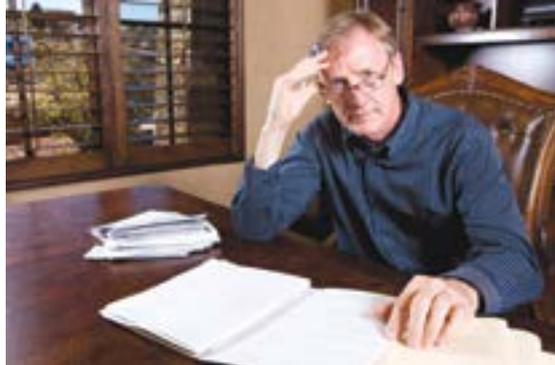
Savings gaps abound

Many mature age workers face a significant shortfall between their retirement savings and what is required for a 'comfortable' retirement lifestyle. For many, the retirement savings gap (RSG) is huge.

A\$836 billion estimated total Australian retirement savings gap

A\$79,200 average RSG per Australian

Source: Rice Warner Actuaries, *Longevity Savings Gap: Research & Policy Options*, September 2012



3. Australian Treasury, *The 2010 Intergenerational Report Overview*, 2010.
4. Statistics New Zealand projections, 2012
5. NZ Department of Labour, *Workforce 2020: Forces for change in the future labour market of New Zealand*, 2008
6. Deloitte Access Economics, *Demographic Model*, 2011
7. Australian Bureau of Statistics, *National Health Survey: Summary of Results, 2004-05*, 2006
8. *ibid.*



We have people who were retired or who, as often happens, retired early and had a lot of time on their hands and found playing golf every day isn't as much fun as they thought it might be. So they come to us to utilise their experience and skills.

**Willem Pruys, General Manager
Human Resources, Bunnings**

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Dipping into the skill pool

The interaction between a skills shortage and workers keen to remain in employment is creating a great opportunity for SME employers.

Often large employers hold back from hiring older employees due to long-held 'myths' about a lack of technology skills and an unwillingness to change. But those employers who have taken on mature workers find the reality is very different.

Higher motivation

Mature workers are often more motivated than their younger counterparts. The Ernst & Young's Australian Productivity Pulse survey⁹ found 80% of respondents aged 55-64 and 85% of those aged 65 years and over said they are motivated to perform to the best of their ability. This contrasts strongly with only 61% of those aged 20-24 and 65% of those aged 25-34.

The survey also found older workers are more likely to be motivated by the actual work they do, rather than incentives, salary, work/life balance or employment security.

Many organisations have found they save money through reduced absenteeism, training and recruitment costs. Workers aged over 55 are five times less likely to change jobs compared with workers aged 20-24.¹⁰

“ *The benefits of older people include their stability and they bring understanding of consequences due to their maturity.*

John Broons, Family Business Consultant, Mentor and Coach, and TEC Chairman

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The drawbacks are mostly in the heads of people themselves. They are usually in relation to their confidence and concerns about change. Concern about change in both older and younger employees is a personality trait, not an aged-based issue.

It doesn't matter which age group they are in, there is a resistance to change at every level, as it is a personality trait. Sometimes the best change champions can be older people.

Deborah Burt, TEC Chair and Coach, Facilitator, Mediator

Continuing mental fitness

Mature aged workers also retain high levels of personal skills. Studies conducted by the Organisation for Economic Cooperation and Development (OECD) have concluded verbal skills, communication and intelligence remain unchanged as a person ages.¹¹

The internationally respected Seattle Longitudinal Study into age and mental abilities reached similar conclusions based on the findings of over 30 years of detailed research. It found normative decline of cognitive abilities does not occur until the mid-60s and did not become substantial until the late 70s or early 80s. This decline can be slowed by cognitive training and a stimulating environment.¹²



It is no different to handwriting skills 100 years ago. It is now a fundamental skill, not a new technology for the workforce to have. Most jobs only require a reasonable level of basic Internet and email skills and the need for technological savvy is often very overrated in the workforce.

Tony Stuart, NRMA Motoring & Services Group CEO and TEC member

Reduced absence due to illness

Older workers are also less likely to take days off due to illness or to care for others¹³, and are less likely to experience work-related injuries than other workers. People aged 65 years and over have the lowest rate of work-related injuries/illnesses, with 30 per 1,000 people.¹⁴

Technology ‘myths’

Organisations hiring older employees usually find concerns about a lack of technology skills are overrated when it comes to using IT tools in the workplace.

According to ABS data, Australians aged 55-64 are the fastest growing users of information technology¹⁵ and international studies show appropriate training in a supportive environment can greatly assist older workers learn new technology systems.¹⁶

Consultants introducing change programs often find older employees will readily use industry specific IT innovations when given the opportunity – particularly if they can see a clear productivity or business benefit.

These days, ordinary IT tools such as email and the Internet are now basic employment skills – particularly in service businesses – and most older employees have a good working knowledge of them.



Younger people are quicker to pick up technology, but sometimes older people with industry experience will see the value of industry specific technology and are more likely to continue using it than younger workers.

**Fabian Eckstrom-French,
Management Consultant at
Wise Counsel**

Reverse bias to age

In fact, many organisations are realising an eternally youthful workforce is not necessarily a good thing.

Organisations in financial services, management consulting and the legal profession are increasingly recognising a diverse workforce is needed to reflect the expectations and life experiences of their customers.

Experienced employees also often hold valuable intellectual capital, deep industry knowledge and strong personal networks that are hard for younger employees to match without many years in a particular industry.

Higher staff morale

Mature aged workers can also provide a valuable support network within the workplace itself.

Younger employees and executives growing into a role often welcome the advice of a more experienced colleague who has been through similar situations before.

9. Ernst & Young, *Australian Productivity Pulse: Wastage adds up despite motivated workers*, October 2011
10. Australian Bureau of Statistics, *Labour Mobility Survey*, 2006
11. OECD, *Live Longer Work Longer*, 2006
12. K. Warner Schaie & Sherry L. Willis, *Cognitive Development in Adulthood: The Seattle Longitudinal Study, Past, Present, Future*, December 2008
13. Australian Bureau of Statistics, *National Health Survey: Summary of Results 2004-05*, 2006
14. Australian Bureau of Statistics, *Work-Related Injuries, Australia, 2009-10*
15. Australian Bureau of Statistics, *Year Book Australia*, 2005
16. Research and Policy Committee of Committee for Economic Development, *New Opportunities for Older Workers*, 1999

“ *The benefit of older people is that they have the experience customers want. In certain industries, customers want experienced older people as they have the knowledge. For example, an engineer who has successfully built a bridge before.*

In some industries technology savvy is important, but in professional services there is a reverse bias. Customers know time is required for experience to be gained. Grey hair matters and is needed, as it is associated with success and experience.

Deborah Burt, TEC Chair and Coach, Facilitator and Mediator

Benefits of a diverse workforce

Mixing an organisation's employment profile across the entire age spectrum can create real benefits.

Some of the benefits younger workers bring to an organisation include:

- **Familiarity with new technology** – Younger employees usually have a greater immersion and level of comfort with new technologies and are usually willing to share their knowledge and teach older workers.
- **Familiarity with diversity** – Coming from diverse households and backgrounds, many younger workers have a broader perspective and can assist mature employees understand the changing business environment and workforce.
- **Job hopping** – Although older workers can explain the benefits of loyalty, younger employees can provide insights into the fulfilment and re-energising nature of career change.
- **Risk taking** – Younger workers are very entrepreneurial, innovative and open to new ideas, which can assist an organisation in a competitive environment that demands new ways of thinking.
- **Balancing work/life issues** – Younger employees are far keener on balancing their work and life and can demonstrate the benefits to older workers who have often been far more career focussed.

“ *Younger workers have grown up in times of rapid change and expect instant movement and responses. Older workers are used to more stability and slower processes. Each can learn from the other.*

If all of your workforce is younger employees, something is missing – balance. Older workers can give stability and make younger staff feel comfortable that they have someone around who has been there before if there is a crisis.

Jack Graham, TEC NSW Community Chair and Executive Coach and Mentor



“ Younger workers can bring freshness and a sense of endless possibilities – the idea of ‘I can do anything’ is important with this group. Younger people are good at seeing opportunities older people may not see. If you have a synergy of mixed ages, it is very valuable to an organisation.

Fabian Eckstrom-French, Management Consultant at Wise Counsel

Case study – Bunnings hardware chain



Retail hardware chain Bunnings is considered a pin-up organisation when it comes to recognising and utilising the skills and expertise of mature age workers. Although only 16% of the total Australian labour force is aged 55 years and over¹⁷, this demographic group makes up a key part of the company’s workforce.

Within Bunnings’ total 35,000 employee group, 26% are aged 51 or over. This has been at a fairly consistent level in its 300 plus stores over the past few years, according to Willem Pruys, Bunnings General Manager Human Resources.

“It started as a very deliberate strategy and we aimed to have around 20% of our workforce from this group. Our original motivation was around the trust and credibility of our staff from a customer perspective. We wanted them to be engaged and get good advice,” he says.

“We wanted a workforce that was equipped with the appropriate know-how. You can train for that, but you also need experience to have credibility.”

For Bunnings, targeting older workers is no longer something unusual. “This is now a very integral part of our way of doing business. It is embedded in our business,” Pruys says.

He believes successfully managing a mixed-age workforce is no different to any other age profile.

“We see older workers as the same as those under 21. They want to be treated with respect, appreciated for their contribution and have a say in what happens,” Pruys says.

“From a leadership perspective, you need to take account of the different attitudes and views of the world held by different generations, but we believe there is a common thread.

“ Having a mixed age workforce can allow people to do what they do best. It provides a balance between the operational side versus the specialist side of a business. Things change fast now, so you need to be looking at both sides.

Jack Graham, TEC NSW Community Chair and Executive Coach and Mentor

¹⁷ Australian Social Trends 4102.0 September 2010, Australian Bureau of Statistics

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Balancing the generations

While mature workers bring many benefits, successfully managing an age-diverse workforce requires some careful thought and planning for SMEs moving down this path.

Appropriate HR policies

Although there is a growing pool of experienced, older employees available, outdated HR policies stop many organisations from taking advantage of it.

A study by the Economist Intelligence Unit¹⁸ found this was a weak link for many firms, with one in three (29%) respondents stating their firm was not at all effective at adapting HR strategies to older workers. One in four (26%) said the same about its ability to transfer knowledge from retiring staff to younger staff.

Despite believing older workers were a business asset, only 18% of respondents said their firm had a policy in place to deal with the rising number of older workers.

Tips for creating an appropriate workplace environment

To ensure the right HR policies are in place, SMEs need to consider whether:

- ageist barriers exist in the organisation's language, processes and policies
- an anti-age discrimination policy needs to be introduced
- supervisors need training on policy implications and implementation
- employees need to be regularly reminded about the anti-age discrimination policy.

- existing recruitment and retention strategies are attractive to older workers attempting to re-enter the workforce;
- alternative arrangements could be introduced to provide a better work-life balance;
- employee benefits packages include assistance with retirement planning;
- appropriate succession plans are in place for key roles;
- critical knowledge about the business is being captured from long-serving employees;
- key information about clients and processes is being transferred to younger employees; and
- an appropriate succession plan is in place for key roles.

Ensuring employee wellbeing

To successfully manage a workforce with a mixed age profile, employers may also need to consider the broader concept of employee 'wellbeing', as this is a major reason for employees leaving the workforce.

Of the 2.2 million retired Australians who have worked in the past 20 years, almost one third (30.1%) left the workforce for wellbeing reasons such as their own sickness, injury or disability, or to care for children or an ill or elderly person.¹⁹

Considering employee wellbeing and taking a more flexible approach to employment conditions can be an important component in building employee engagement and also ensuring the retention of mature age workers.

18. Economist Intelligence Unit, *A Silver Opportunity? Rising longevity and its implications for business*, 2011

19. Australian Bureau of Statistics, *Retirement and Retirement Intentions Australia, 2010-11*

What do mature age employees want?

To create a workplace that is attractive for mature age workers, SME employers may need to be more flexible in their approach to employment conditions. This means offering benefits older employees value, such as:

- recognising and accommodating their responsibilities as carers;
- allowing employees to work from home;
- providing increased autonomy;
- offering time off in-lieu;
- agreeing to flexible shift arrangements;
- offering flexible hours (including job sharing, part-time work, tapering of hours and compressed work weeks);
- permitting leave without pay or seasonal leave;
- considering flexible leave and salary arrangements such as trading salary for additional leave;
- offering phased retirement; and
- providing salary sacrifice options.

The introduction of greater flexibility in employment conditions will also be attractive to many other employee groups, such as parents with young children. SMEs introducing more flexible benefits are likely to find these options assist with employee retention and engagement across their entire workforce.

Source: SafeWork SA, Age-Friendly Workplaces: Retaining and Recruiting Older Workers, October 2013

“ *There is not anything special about being older that needs special policies. The real question is are you an organisation that pays attention to its workforce and its needs? If not, you are more likely to lose good people and have disaffected employees.*

It is about being sensitive to difference and employees wanting more flexible work arrangements – whether it is time off to study or to care for older parents. It is acceptable to give younger employees half a day off for exams or study, so why not give older people time off for medical appointments?

Deborah Burt, TEC Chair and Coach, Facilitator, Mediator

“ A lot of the perceived issues between generations tend to come down to different perspectives and misunderstandings. It is about improved communication between each other’s perspectives and the need to include both age groups in decision-making.

It is about basic communication issues. Most conflict is not really intergenerational conflict, but is about lack of communication and personality clashes. These problems are often about trivial issues such as style, but if you have open communication it is not a major issue.

Fabian Eckstrom-French, Management Consultant at Wise Counsel

Getting the generations together

Although building a successful mix of employees across the generations is beneficial, ensuring they successfully collaborate and work together is essential for the organisation to gain real value.

The key to avoiding intergenerational conflict and building supportive teams is clear communication.

Whether employees are young or old, strong engagement usually requires the same basic elements – treating people with respect, making employees feel appreciated for their contribution and allowing them to have a say in what happens within the organisation.

Cross-generational mentoring

Another key element to ensure intergenerational collaboration is through the extensive use of cross-generational mentoring throughout an organisation. This approach makes employees in the different generations feel empowered and able to make a contribution that is valued by their fellow employees and managers.

It involves a two-way process where senior team members share their experiences and more junior team members challenge existing practices with new ideas and fresh perspectives.

The industry and life experience of older workers in particular can help younger employees think more broadly and go beyond their first thoughts about an issue. By using their knowledge they can help others learn by asking good questions which can drive valuable insights.

“ Clear leadership direction, autonomy, performance feedback and the ability to influence are important to every employee – whatever their age. Good leadership should effectively promote these elements.

Ashley Barratt, Managing Director at Wise Counsel, Management Consultant and TEC member





“ *A strong cross-generational learning policy is vital. Younger workers can mentor older ones on technology and older employees can mentor younger ones on business specific knowledge.*

Mentoring is extremely useful and very under-utilised in most organisations. There is a different kind of knowledge brought by younger workers. If you can harness the two different kinds of knowledge it can lead to massive and valuable synergies for the organisation.

**Fabian Eckstrom-French,
Management Consultant at
Wise Counsel**

“ *Young employees often lack wisdom and have a bias to seeing everything as a technical problem with a technical solution, but it is often more nuanced than that. There is not always a quick fix and this is insight that doesn't come without experience.*

**Deborah Burt, TEC Chair and Coach,
Facilitator, Mediator**

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Ageing, succession and SME owners

Growing older happens to everyone, but many business owners and senior managers forget this truism and fail to consider the implications of their own ageing on their organisation.

“ *A lot of SMEs are family businesses and often they don't have any plans for change if a key person is hit by a bus. They have not had the conversations.*

This is a big issue out there. Often there is a very strong level of self-denial about the need for succession plans.

John Broons, Family Business Consultant, Mentor and Coach, and TEC Chairman

Leadership succession

SMEs need to adopt a more strategic approach to planning leadership succession and talent management, as this can be a useful tool for retaining rising stars.

Businesses that plan to be around for the long-term must ensure they have employees trained to their full potential and have clear career pathways in place for their future development and growth.

Although retention of mature age workers is important, SMEs also need to ensure they do not block the progress of the next generation of managers. Otherwise, it can lead to frustration and the loss of younger talent.

Younger employees are in a hurry

Employees are increasingly unwilling to remain with an organisation if it fails to provide sufficient opportunities.

Research by Ernst & Young²⁰ paints a clear picture:

- 32% of employees are planning to leave their organisation in the next 12 months
- 35% more are already pursuing external opportunities
- 50% of respondents did not believe there was a clear direction for their career with their current employer

Tips for SME employers

To prevent the loss of younger staff, SMEs need to consider questions such as:

- How connected are your employees to the business?
- Are they enthusiastic about developing future plans and strategies for the organisation?
- Have they expressed a desire for greater responsibilities?
- Are they looking for their next challenge in your business or elsewhere?
- Are your best performers restless?
- Can this restlessness be used to the business's advantage by giving them new challenges?



Transitioning for the future

Although it can be confronting, planning for a change in the control of an SME is a key task in any well-managed organisation.

This is particularly important given ABS data shows over half (55.9%) of all Australian small business operators are aged over 45.²¹

Appropriate succession planning involves not just maximising the financial return for exiting owners and partners, but also ensuring the longevity of the business itself.

To achieve a successful business transition, SMEs need to start planning early to ensure the process occurs seamlessly with minimum disruption to the business, staff and employees. Issues such as funding and the market for an internal buy-out or potential trade sale need to be considered and strategies developed.

Ensuring a successful business transition

When it comes to planning their departure, SME owners need to think about the business itself and to communicate their wishes to younger family members and employees, according to family business consultant and TEC Chair, John Broons.

“With succession, everyone who needs to know needs to be involved with the process – both family and non-family. The key is communication from the

older to the younger generation. It needs a common language of understanding about the culture of the business,” he says.

This includes being honest about whether the older generation see the business as simply an investment, or something they wish to continue operating many years into the future.

“There is an investment in any business and the owners need to think about the outcome they want from this investment. This may require a change in their thought process. They need to understand this to take the process to the next step,” Broons explains.

Communication between the generations is also vital to avoid the loss of key younger executives, or disputes between family members.

“Owners need to consider the unspoken expectations of family members that they may be the one to take over the family business. Which one will take over and how to balance this out between the others is something that needs to be discussed,” Broons explains.

“It is an issue of fairness and equality. It needs lots of conversation to get it clear on what the owners want and ensure that finally ends up in the contract.”

20. Ernst & Young, *Australian Productivity Pulse: Wastage adds up despite motivated workers*, October 2011

21. Department of Innovation, Industry, Science and Research, *Australian Small Business: Key statistics*, 2011

Tips for ensuring a smooth internal transition

For some SMEs, a solution to their succession dilemmas may be selling down their equity to a younger internal successor.

To successfully achieve this outcome, a number of key issues need to be addressed:

- Talk to staff about the future and your succession plans.
- Identify potential internal successors and assess their suitability for the role.
- Establish a development program so the chosen successor can acquire the necessary skills.
- Consider whether the business structure is appropriate and allows for a sell down of equity to an internal successor.
- Determine the timing and stages of a sell down.
- Establish an appropriate method for valuing the business.
- Consider the different funding options for the equity sell-down.
- Establish a process for transitioning the successor into the top management role.
- Decide on an appropriate process and funding option for the equity transfer.
- Draw up and sign the necessary sale, option and shareholder agreements.



“

Planning is not just about succession, but it will lead to success. It should be an annual check-up for the business – whatever the size.

If the business is smaller, you should be clear about who the next person is you want to take over the role. Do you own and keep, or sell and capitalise. And is there anyone capable of running it?

John Broons, Family Business Consultant, Mentor and Coach, and TEC Chair

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Business opportunities

Despite the ageing population in most Western economies, many SMEs have failed to connect the implications of this shift with the profitability – and even survival – of their own businesses.

The shift in the demographic profiles of both Australia and New Zealand is creating important changes in the spending patterns and interests of local consumers.

Companies that “assess, adjust, and update their product offerings to best serve this evolving and increasingly influential age 50+ market will be far more likely to grow their consumer base and to reap great rewards. Those that ignore this massive demographic shift and its global impact are likely to miss a significant opportunity.”²²

“ You need to think about who your customers are, as even mothers are becoming older these days. SMEs need to consider this aspect of their business – especially as it is the ageing population that has money to spend.

Jack Graham, TEC NSW Community Chair and Executive Coach and Mentor

Money to spend

The business opportunities for SMEs that meet the needs of an ageing population are significant. Research studies regularly show older consumers now have more accumulated wealth and spending power than many younger customers.

Data from the Household, Income and Labour Dynamics in Australia (HILDA) study which examined the ‘net worth’ (total assets minus total debts) of Australian households found couples aged between 50 and 70 years had the highest median net worth (nearly A\$900,000).²³

“ This is a huge opportunity and most organisations have not understood the opportunity. This is the largest cohort in society and it can affect the success of an organisation.

**Ashley Barratt,
Managing Director at Wise Counsel,
Management Consultant
and TEC member**

22. Deloitte Research Services US, *Wealth With Wisdom: Serving the needs of aging consumers*, 2006

23. Living in Australia Study, *HILDA Survey of Median Net Worth of Households 2010*

“ *It is good to mirror your customer base with your workforce. People like dealing with people they think are like them, as they can empathise and feel able to identify with them. This is just business smart.*

Deborah Burt, TEC Chair and Coach, Facilitator, Mediator

Finding the business opportunity

An ageing population is a definite positive for some industries, which will see consumers directing increasingly large amounts towards the products and services they provide.

Some of the likely winners include:

- healthcare and pharmaceutical businesses (e.g. new trends in diagnostics and treatments for age-related diseases, personalised medicine and ehealth)
- tourism, recreation and leisure sectors
- consumer and lifestyle goods (e.g. healthy food and cosmetics)
- financial services (e.g. pension products and longevity insurance).

Personal products and services designed to provide assistance with retirement and independent living will also find a growing customer base.

The concept of ‘experience over products’ is also increasingly important to older customers and is likely to result in less spending on new housing and furnishings, with more directed towards personal services, holidays, entertainment and community services.

Although many businesses are already considering how to develop products for an ageing population, more detailed strategies will be required to consider the “needs of older persons as a new generation – with hopes and expectations that are radically different from those of their parents”.²⁴

Challenges to reaching older consumers

SMEs need to carefully think through the implications of the current shifts in consumer age and expectations. Some organisations may need to expand into new service areas, or to tweak existing products to better suit the needs of their increasing number of older customers.

“ *Organisations need to broaden their marketing so they do not miss out on big groups of potential customers. You need to think about who you are talking to. Not everyone uses social media.*

Jack Graham, TEC NSW Community Chair and Executive Coach and Mentor

Case study – The ageless population and NRMA



Businesses need to modify their products and language for an 'ageless' population, according to Tony Stuart, NRMA Motoring & Services Group CEO and TEC member.

"This year we are launching a product aimed at independent living.

It is about 'agelessness', not a particular age group. There will be a portal on travelling help, volunteering and retirement villages. It is about living well – independent, informed and ageless – not about age or retirement."

Stuart believes for services businesses in particular, an ageing population is a significant issue, as customers need to relate more closely with the employees servicing their requirements. "We are a services business, so our value proposition is the people."

In line with this view, NRMA does not see age as being relevant when it comes to its 2,200 employees.

"We have never seen age as a barrier in our workforce. We hire people who are in their 60s and some are even in their 70s. The average age of the employees in our full-time staff is in the late 40s," Stuart says.

"We believe in having the advantage of an older workforce, as they have stability and experience. This is balanced by younger workers' enthusiasm, but they don't tend to stay as they move through their career. Every organisation needs a balance of young 'portables' and older 'non-portable' employees."

Tips for dealing with the changing business environment

- Consider how to adjust the organisation's business model.
- Review how to expand into new product markets or geographies.
- Rethink pricing for different demographics.
- Boost R&D to better understand the potential needs of older consumers.
- Explore potential new product and service offerings.
- Consider how to adapt existing offerings for ageing consumers.
- Review current consumer research and marketing approaches.
- Consider developing targeted marketing campaigns for older demographic segments.
- Review whether distribution channels are suitable for older customers.
- Train sales teams to deal with different target demographics.

Case study – Servicing the older customer

Working with clients whose business is based in the audiology field has highlighted the significant business implications of an ageing population and customer base, according to TEC member Ashley Barratt, who is a Managing Director at Wise Counsel Ltd.

“The changing demographics are a definite issue for the company. The majority of their clients are older but their hearing consultants are all younger, so the age spectrum is a real issue for their business,” he says.

“We see the issues being faced by this organisation as a precursor for the whole conversation that will need to be had in many industries about the challenges of servicing an older customer base and training staff to deal with them appropriately.”



Barratt believes many SMEs need to embrace the changing demographic environment and consider how they will need to shift their business and their employee attitudes to cope.

“SMEs will need help with coaching younger employees and helping them to have meaningful conversation with older customers. There is a huge opportunity for the SME market but it needs to understand what these changes mean,” he says.

Operating in the new world

Training staff to deal with an ageing customer base is just one of the challenges for SMEs. They may also need to review their approach to marketing, product design and payment channels, and ensure they limit the potential for age discrimination in pricing and product availability.

How business can cope with ageing consumers

Age UK has a number of recommendations for businesses seeking to sell products and services to an ageing population. These include:

- Realise the older population is not a homogeneous group and has significant diversity in interests and needs.
- Ensure all age groups, including older consumers, are included in consumer research. Segmentation needs to be far more nuanced than in the past.

- Mainstream the principles of inclusive design, usability and accessibility when designing new products, services and retail outlets.
- Look for ways to improve the usability and accessibility of existing products, services and outlets.
- Ensure all marketing and advertising does not ignore older consumers and resonates with this age group.
- Offer a range of payment mechanisms that are user-friendly, safe and low-cost for older consumers.
- Extend and actively promote any support offered to consumers having difficulty navigating existing retail outlets.
- Do not arbitrarily refuse products and services based on age.
- Ensure pricing models do not disadvantage older consumers.

Source: Age UK, The Golden Economy: The Consumer Marketplace in an Ageing Society, 2010

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At a glance summary

Top 10 action points for SMEs to consider

1. Demographic change is creating major challenges for SMEs and means employees will be harder to find and there will be increasing competition for those who are available.
2. Traditional ideas about retiring are becoming increasingly obsolete, with age, health and mental capacity becoming less important in retirement decision-making.
3. There is a strong business case for employing mature age workers as they bring a number of benefits to an employer.
4. SMEs face a range of new business challenges as their customers age and begin seeking different products and services.
5. SME business owners need to ensure they have detailed succession plans in place for senior employees and to deal with their own eventual exit from the business.
6. Retaining older employees may mean introducing greater flexibility in employment conditions and the benefits.
7. Older consumers have more accumulated wealth and spending power than many younger customers.
8. Consider tools such as cross-generational mentoring, appropriate recognition and clear communication to manage the intergenerational issues in a mixed aged workforce.
9. SMEs may need to expand or adapt their offerings into product and service categories likely to benefit from an ageing population (e.g. leisure, technology and health).
10. To capture a share of the mature age market, SMEs' need to carefully segment their marketing and advertising activities to match different demographic groups.

Appendix

Australian Government support programs and grants

In an attempt to encourage employers to attract and retain mature workers, the Australian Government offers several resources and services through its Experience+ initiative.

1. Corporate Champions program

The Corporate Champions program supports employers who commit to moving towards best practice in the recruitment and retention of mature employees (aged 45 and over). Eligible employers can receive tailored support and assistance valued at up to \$20,000 from an industry expert. The support includes:

- Professional assessment of workforce strategies, recruitment and retention practices.
- Practical help developing an action plan using the Investing in Experience Tool Kit. Assistance includes updating recruitment processes, rolling out flexible working arrangements and establishing retention and mentoring programs for mature-age workers.
- Support to access financial assistance including the Experience+ Jobs Bonus.
- Advice on positive age management, superannuation, occupational health and safety, career planning, training and age discrimination.

SME employers may be eligible to receive support through the Corporate Champions program, which is delivered by expert providers in regional and metropolitan areas across Australia. Employers interested in becoming a Corporate Champion need to contact a provider directly to discuss their involvement (see next page).

2. Funding for skills training

The Investing in Experience (Skills Recognition & Training) program is an Australian Government initiative to support mature age workers (aged 50+) to gain a qualification that matches their skills. Through a skills assessment and, if needed, gap training, mature age workers can attain a nationally recognised qualification at the Certificate III to Advanced Diploma level.

Employers can access support for this training through the Skills Connect Fund, with Australian Government funding of up to A\$4,400 (GST inclusive) available for eligible workers.

For more information about the program, see the Skills page of the Department of Industry's website. (<http://www.innovation.gov.au/Skills/SkillsTrainingAndWorkforceDevelopment/InvestingInExperienceSkillsRecognitionAndTraining/Pages/default.aspx>)

Corporate Champions Providers

Source: Department of Education, Employment and Workplace Relations, January 2014

Providers servicing large employers (Staff of 200 or more people)

Organisation	Location(s) serviced	Phone
IPA Personnel	National	07 3225 7522
The Australian Industry Group	National	03 9867 0134
Franklyn Scholar	National	1300 733 503
Diversity Dimensions	National	02 9836 5838
Sageco Pty Ltd	National	1300 72 43 43

Providers servicing small employers (staff of 1-19 people) and medium employers (staff of 20-199 people)

Organisation	Location(s) serviced	Phone
IPA Personnel	National	07 3225 7522
The Australian Industry Group	National	03 9867 0134
Franklyn Scholar	National	1300 733 503
Brotherhood of St Laurence	VIC	03 9288 9907
BUSY At Work	QLD	07 3215 6512
Ostara Australia	ACT, VIC, QLD, SA	03 9497 5004
Release The Beast	VIC	03 5348 7638
The ORS Group	VIC, NSW, QLD, WA, TAS	08 9322 7622
The Strategist Group Pty Ltd	WA	08 6102 2940



At TEC, we are constantly taking the pulse of the SME sector through our members, who are the high performers in this important sector.

Our White Paper series is designed to support SMEs as they cope with the demands of a changing business environment. As a significant employer in our economy, the SME sector needs to be prepared for major shifts in its operating environment, customer base and regulatory climate.

Through this White Paper, we want to inform and energise SMEs so they are prepared for the challenges the shift to an ageing population will create for their workforce and potential customer base. At TEC, we are committed to helping Australasia's SME business leaders translate new business insights into their workplaces and business plans, so they are ready to capitalise on opportunities as they emerge.

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