Deputizing the Workforce

Will bounties motivate whistleblowers?
Perspectives readers who are part of the Traditional Generation and perhaps a few Baby Boomers like me will recall a popular radio and TV show called “Truth or Consequences.” Contestants who answered the host’s questions incorrectly would have to face the “consequences,” usually involving some wacky stunt, to earn points and win prizes.

Generation Y might not be familiar with the show, but as students in the College of Business at ILLINOIS they are learning that truth always has consequences. In today’s world, it’s not an either/or proposition. Companies expect their employees to develop a personal compass for truth and a sophisticated appreciation for the consequences of all their actions.

In this issue, you’ll read about ILLINOIS Business professors and graduates who understand that consequences are the byproduct of truth. Professor Nolan Miller, for instance, explores the facts and the ramifications of researching and reporting statistics on hunger across the world. The Q&A with Assistant Professor Jessen Hobson focuses on a new approach to detecting deception in financial misreporting and what it might mean for corporate executives and the investment community. And in our cover story, ILLINOIS experts examine how past corporate misconduct has influenced new regulations governing whistleblowing and what the potential consequences of this current legislation could be for employees and companies.

With guidance from these and other dedicated faculty members, our students learn to recognize their own personal power to act, their obligation to consider the potential consequences of those actions, and their ability to use that information to make better decisions. By employing this strategy, our graduates set high standards of professional behavior and provide strong leadership for their companies and the global business community.

At ILLINOIS, we take great pride in providing the foundation and the opportunities that lead to their success.

Larry DeBrock
Dean
BOUNTY HUNTING
by Cathy Lockman
How will financial incentives offered to whistleblowers by the SEC impact the corporate community?

ALL WRAPPED UP
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Businesses need to know what motivates gift givers if they want to capture consumers’ attention.

HUNGRY FOR ANSWERS
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An ILLINOIS finance professor suggests a new way to measure hunger.

DECEPTION DETECTION
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What can a CEO’s voice tell us about a company’s future?

UNDERSIZED & OVERRUED
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One size doesn’t fit all when it comes to accounting rules.

MANAGING THE GAP
by Cathy Lockman
With four different generations sharing the workplace, what can companies do to successfully manage the generation gap?

ON THE COVER
For this issue’s cover photo, taken outside the Business Instructional Facility, we didn’t shoot the sheriff, but we did shoot the deputy. Our mysterious amateur enforcer represents how new whistleblowing legislation could deputize the workforce.
Bounty Hunting

Will new regulations create a new incentive for whistleblowers?

Some call it an award; others call it a bounty. Most everyone calls it a challenge—a challenge for companies, compliance officers, and the SEC. And the next year or two will tell the tale of just who is up to that challenge.
What happens when the government offers employees of U.S. companies a substantial monetary award for uncovering and reporting corporate wrongdoing in their firms? Will such an incentive protect investors by encouraging employees to blow the whistle earlier and louder on potential fraud? Or is it more likely to result in a flood of meritless tips by disgruntled or financially motivated workers? Will it force companies to beef up their own compliance programs and employee ethics training to encourage internal reporting? Or could it create a race between employees to beat a path to the Securities and Exchange Commission to report wrongdoing?

We’re about to find out.

Earlier this year, the whistleblower provisions of the Dodd-Frank Wall Street Reform and Consumer Protection Act went into effect. The legislation authorizes the SEC to provide financial awards to eligible individuals who provide original information that leads to an enforcement action in which more than $1 million in sanctions is ordered.

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**Bringing in the Big Guns**

As vice president of Enron Corporation, Sherron Watkins may well be one of the country’s most famous whistleblowers. In August 2001, she alerted then-CEO Ken Lay to accounting irregularities within the company, warning him that Enron “might implode in a wave of accounting scandals,” a statement that proved prescient. That scandal, along with others, led Congress in 2002 to pass the Sarbanes-Oxley Act, which set new standards for all U.S. public company boards, management, and public accounting firms. It also provided whistleblowers with heightened protection from retaliation.

Less than a decade later, legislators felt even more needed to be done to encourage reporting, and so the monetary awards were approved by the SEC as part of Dodd-Frank. The idea is that incentivizing employees will lead to fraud being uncovered earlier, which will protect investors, preserve the integrity of the U.S. markets, and hold wrongdoers accountable.

“People wondered if there would have been far less damage at Enron if Sherron Watkins had stepped up earlier,” says Steven Pearlman, an attorney at Seyfarth Shaw in Chicago and a 1994 ILLINOIS graduate. “So it wasn’t surprising that legislative protection was developed to prohibit retaliation, which SOX did. But Dodd-Frank is far different. It’s not about curtailing retaliation; it’s about providing carrots.”

And they’re some pretty big carrots. The range for payments is between 10 percent and 30 percent of any sanctions collected, which means whistleblowers could receive anywhere from $100,000 on the low end to millions on the high end.

That money will come from the sanctions or from the $450 million Investor Protection Fund. Some believe the incentives will actually save the government money because the tips will provide direction for SEC attorneys and investigators, creating efficiencies in bringing action against companies and individuals who have violated securities laws.

**Growing Fraud, Growing Bounty**

If there is potential for fraud to be uncovered earlier and investors to be protected, then why are many in the corporate community concerned about this provision of Dodd-Frank? There are several reasons.

“SOX required very robust certifications and internal compliance infrastructures to be developed,” says
Pearlman. “Corporations put millions of dollars into their programs, and now employees don’t even have to use them.” That’s because Dodd-Frank allows for employees to go to the SEC first, instead of reporting directly to the company.

“There are risks when employees bypass the internal reporting channels,” says Pearlman, who created a national whistleblower practice within his firm to counsel companies. “Shareholders are better protected when a prompt and thorough internal investigation is done. The longer a fraud can grow, the more evidence can get lost and the more damage can be done. The new structure through Dodd-Frank creates a perverse incentive for fraud to grow because the bigger the fraud, the bigger the bounty.”

In response to such concerns, the SEC’s procedures provide higher awards for employees who do use the internal reporting channels. In addition, if a whistleblower goes to their company first and then the company reports directly to the SEC, the employee is credited for all the information the company reports.

There is also the concern that the prospect of an award will create a flood of employee “tips,” many meritless, that could hamstring the SEC.

“With so much money to be gained, I think without question you will see a dramatic uptick in complaints to the SEC,” Pearlman predicts. “The SEC is equipped to deal with this at present, but there is a risk that they could become bogged down with unmerited complaints.” Others worry that just the sheer volume could lead to a less-effective system.

But some argue just the opposite—that is, that higher quantity could lead to higher quality. Though the SEC hasn’t yet released any hard numbers on complaint volume, SEC Enforcement Chief Robert Khuzami told The Wall Street Journal earlier this year that the monetary incentives hadn’t prompted the flood of tips some had argued would overwhelm the agency. The article also quotes Stephen Cohen, SEC

Has the Dodd-Frank legislation gone too far?

“Whistleblowers should be treated as an asset,” says Steven Pearlman, an attorney and ILLINOIS graduate who heads the whistleblower practice at Seyfarth Shaw. “They should be encouraged to come forward, and they should know they will be protected. But the current legislation is way too lopsided in my opinion.”

And many, including U.S. Representative Michael Grimm, agree with him. In July, Grimm introduced the Whistleblower Improvement Act to address several concerns that corporations and the lawyers who represent them have about the way Dodd-Frank tips the scales toward direct reporting to the Securities and Exchange Commission.

Specifically, the bill would require employees who seek the SEC’s monetary award to first report their information to their employer and then to the SEC, addressing the concern that the current legislation could undermine internal compliance programs. There are exceptions, however. For instance, if an employer does not have an internal compliance system that allows for anonymous reporting or a policy that prohibits retaliation, then internal reporting would not be a precondition for the monetary award.

Other changes include:

• The monetary award would be determined by the SEC rather than a guaranteed minimum of 10 percent of any sanction collected.
• The SEC would be required to notify the company of the allegations before enforcement actions were taken by the SEC so that the company could take its own action to avoid further damage. Again, there would be an exception if the SEC determined that notifying the company would jeopardize their own investigation because of bad faith on the part of the employer or involvement by the highest levels of management.
• If the employer takes good faith action after having received the allegations of misconduct, then the SEC will consider the information to be self-reported by the company.

The bill is currently in committee.

“GOOD FAITH, LEGITIMATE COMPLAINTS FROM EMPLOYEES SERVE A GREAT PURPOSE FOR A COMPANY. IF I’M RUNNING A COMPANY AND AN EMPLOYEE IS AWARE OF A FRAUD, I WANT TO KNOW ABOUT IT. I WANT THEM TO HELP ME POLICE MY COMPANY.”

— STEVEN PEARLMAN
associate enforcement director, who told
The Wall Street Journal that the agency is
now more likely to receive tips on conduct
“that quite candidly, we really wouldn’t
have had any capacity to discover without
a whistleblower coming forward.”

**A New Breed of Whistleblower?**

How much of an incentive will the
SEC’s bounties be for whistleblowers?
Pearlman is not alone in believing the
sheer size of a potential award will be a
motivating factor for many. But others
aren’t so sure.

“Our research indicates that
whistleblowers are more morally driven,”
says Ruth Aguilera, associate professor of
business administration and a fellow at
the Center for Professional Responsibility
in Business and Society at ILLINOIS.

Mohammed Ahmed, a senior
manager at Deloitte Financial Advisory
Services LLP and the co-author of a white
paper on the potential impact of the
whistleblower provisions of Dodd-Frank,
agrees. “Past experience demonstrates that
many whistleblowers are incentivized by
their moral compass.” However, he states
that a financial incentive could appeal to a
different breed of employee who might
never have considered whistleblowing
previously.

“A personallbelieve that this
legislation may have a huge
negative impact because
potential whistleblowers may
now wait for crimes to reach a
significant level before blowing
the whistle so that they get
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the organization and our society.”

— ABHJEET VADERA

“Many employees truly want to do
the right thing and would be likely to
report internally if that is the culture the
organization has created,” Ahmed says.
“Organizations cannot control how
whistleblowers choose to report, but they
can create an environment that fosters an
ethical culture of behavior.”

Abhijeet Vadera earned his Ph.D. in
business administration from ILLINOIS
and collaborated with Aguilera on
whistleblower research, which, he says,
“shows on average that observers of
wrongdoing blow the whistle because
they are morally outraged not because of
any cost-benefit analysis.” However,
because his research did not account for
financial incentives of the size and scope
proposed by Dodd-Frank, Vadera adds
that it’s possible such awards may play a
different role in motivating potential
whistleblowers.

“I personally believe that this
legislation may have a huge negative
impact because potential whistleblowers
may now wait for crimes to reach a
significant level before blowing the
whistle so that they get more ‘bounty’
out of it. This delay may have significant
detrimental consequences for the
organization and our society. The financial
incentive may lead to more tips, but these
tips will come at a price.”

— RUTH AGUILERA

“THE WHISTLEBLOWER PROVISIONS
OF DODD-FRANK WILL DEFINITELY
REQUIRE FIRMS TO RAISE THE BAR
FOR THEIR OWN INTERNAL
REPORTING PROGRAMS.”

— RUTH AGUILERA
The reputational damages that can come from even a claim of wrongdoing can break a company. That’s why corporate compliance programs that encourage and support employees to report fraud internally are so important in detecting and correcting wrongdoing early.

The Deloitte Forensic Center, in a recent white paper on the subject of whistleblowing, suggests ten steps that organizations can take to “enhance their whistleblower systems and help mitigate their risks in light of the Dodd-Frank Act.”

These include:

1. Have a vehicle to receive tips, as they are the number one way that frauds are detected. This could be a phone hotline or an email, mail, fax, or web-based alternative.

2. Don’t be distracted by “noise.” While tip lines may generate lots of reports that don’t actually have to do with fraud, that “noise” doesn’t negate the value that even one reliable tip can have in stemming potential financial and reputational costs for a company.

3. Assess the effectiveness of your hotline. If your volume of calls is low, it’s probably time to consider ways to improve your system. In this case, no news is not necessarily good news.

4. Find new ways to encourage your employees to speak up. This may include offering financial or performance-based awards.

5. Create a supportive environment for whistleblowers. This includes establishing a strong, detailed non-retaliation policy, communicating it effectively, and training senior management on the importance and priority of such a policy.

6. Communicate, communicate, communicate. Employee confidence in the whistleblower system is the key to success, and clear, consistent, and constant communication by the company allays fears and builds confidence.

7. Make sure everyone in the company has access to your whistleblower system. That may mean ensuring your hotline is available 24 hours a day or that hotline operators are able to take reports in a language other than English.

8. Consider renaming your tip line. The term “whistleblower” may have negative connotations, so “helpline,” “report line,” or “guideline” may be a better choice to create a neutral climate that encourages participation.

9. If yours is a global company, don’t assume an American whistleblower system is appropriate for your other regions. Customize your system so that considerations are made for cultural, legal, and work environment differences.

10. Be prepared and ready to respond. Have predetermined lines of reporting, clear roles and responsibilities, a clear communication process, predetermined investigation protocols and plans, and disciplinary response mechanisms.

To access the complete report, visit www.deloitte.com/forensiccenter.
Policing the Company

What does this new landscape mean for corporations? Aguilerasays it’s both a challenge and an opportunity. It could lead to more liability issues, specifically raising the specter of greater risks for directors in their individual capacities, she explains. “It could mean that directors will require more insurance and that the market for directors might slightly shrink” as they consider whether such positions are too personally risky, she suggests. “But I believe that most directors are very aware of their rights and liabilities and are doing a lot more work than before SOX.”

The bigger issue, Aguilerasays, is the opportunity to build a culture that encourages ethical behavior and that supports the exposure of wrongdoing. “The whistleblower provisions of Dodd-Frank will definitely require firms to raise the bar for their own internal reporting programs,” she says. That may mean companies will need to evaluate training programs, establish an internal tip line or other whistleblower channels, improve communications, and then really put their money where their mouth is by being ready to handle complaints quickly, thoroughly, and fairly.

Ahmedagrees that this is the time not only for corporations to examine how they can make their whistleblower systems stronger but “to think about ways to actually enhance early detection.” He says that “the key for companies in combating their risks of the new rules will be doing a very focused risk assessment of where their potential exposure, as a result of the Dodd-Frank whistleblower provision, is and based on that to explore what can be done to improve their early detection programs from an ethics and compliance perspective for those risks that are deemed most relevant and significant.”

In addition to improving the internal reporting and early detection systems, Pearlman suggests companies consider using certification forms that ask employees to report any conduct they consider unethical, unlawful, or in violation of company policies that could result in financial injury. The forms should also outline the company’s anti-retaliation policy, he says.

By conveying expectations in this way, employees see the priority the company places on strong ethical standards. “Good faith, legitimate complaints from employees serve a great purpose for a company,” he says. “If I’m running a company and an employee is aware of a fraud, I want to know about it. I want them to help me police my company.”

And then there’s a very practical perspective, too. “The value that the whistleblower could provide by helping the company identify scandal or fraud within the company would eclipse the risk of any damage attendant to a whistleblower claim,” says Pearlman.

Another way to encourage employees to report internally may be to take a page from the SEC’s book. Corporations may want to consider offering their own form of bounty. Pearlman suggests that it could be tied to bonuses or performance reviews. Ahmed agrees that internal incentivization could be worth exploring for some companies. “Research has shown that carrots are more effective than sticks” in getting results and that positive reinforcement and reward systems are important motivators for ethical behavior. “But the type of reward offered depends on an organization’s facts and circumstances,” Ahmed says. “There’s not one solution that would be right for every company.”

—Cathy Lockman

"Many employees truly want to do the right thing and would be likely to report internally if that is the culture the organization has created. Organizations cannot control how whistleblowers choose to report, but they can create an environment that fosters an ethical culture of behavior.”

—Mohammed Ahmed
It may not yet be Thanksgiving, but holiday shopping is well underway. Some view the search for the perfect gift to be a big challenge; others see it as a big headache. But no matter how you look at it, one thing’s for sure. It’s big business. Understanding what motivates gift givers is important for retailers, manufacturers, and marketers who are looking to capture their attention—and their dollars.

**What Kind of Gift Giver Are You?**

The perfect gift, says Cele Otnes, is not necessarily the most expensive or the most popular. According to Otnes, a professor of marketing and advertising whose research focuses on ritual-based consumer behavior, it’s much more personal.

“If you found a soda can that was run over in the road and you and your best friend had a private joke about soda cans run over in the road, that might be the greatest gift you ever give that person,” Otnes says. “On the other hand, if you are in a hellacious relationship with someone and you give them a diamond ring, that might be the worst gift you could give. So it’s not about the gift.”

Instead, Otnes says, it’s about the relationship. And she should know. Along with two other researchers, Otnes conducted a 12-year study in which they monitored the buying patterns of the same five people as they did their holiday shopping for an extensive number of family and friends. What Otnes found is that our gift purchases are driven by how much—or how little—we care about the relationship.

Otnes and her colleagues discovered six roles that people fill when buying gifts:

- **The Pleaser**, who tries to please the recipient;
- **The Provider**, who purchases needed items as gifts;
- **The Compensator**, who makes reparations for a loss the recipient suffered;
- **The Socializer**, who wants to pass on values or knowledge;
- **The Acknowledger**, who buys obligatory gifts; and
- **The Avoider**, who, through a lack of gift-giving, sends a deliberate message.

While you might not be cognizant of what role you are filling when you give someone a gift, you should be, Otnes says. “Think about what the gift says about the relationship. And what you want it to say about the relationship. Do I want it to keep saying what it’s always been saying or do I want to take it to a different level?”

Gifts not only say something about the relationship; they say something about you, says Brittany Duff, assistant professor of advertising. Duff notes that she might not care what the tag inside a sweater says if she buys it for herself, “But if I give it to somebody else, I’m going to care a lot more about what that label says. Because when I give them a gift, it says something about me. So the brand becomes increasingly important there, as do little things like perception of price or time spent.”

**More Than Ribbons and Bows**

With holiday gift-giving alone estimated to be more than a $65-billion-per-year business, and weddings, birthdays, Valentine’s Day, and other special occasions adding to the coffers,
how can retailers and marketers increase their chances of capturing a share of the lucrative gift-giving market? It’s important for business to understand the roles that gift givers fill, to assess how their products can fill those roles, to build connections with customers around this understanding, and to target advertising to capitalize on the roles and connections.

• **Anticipate recipient reaction.** Many advertisers—such as jewelers—focus on the response of the recipient to the gift. The consumer thinks, “Oh, she’s going to love this!” Or they envision the joy on their children’s faces as they rip open their packages. “This is wise,” Duff says, “because gift-giving is, among other things, a bonding experience.”

• **Consider the role of the consumer.** “It’s important that marketers realize that gift selection is almost as much about the self-identity of the giver as it is about the recipient,” says Lowrey, who conducted multiple research studies on gift-giving with Otnes for over a decade, first as a doctoral student and later as a professor. “Only ‘The Pleaser’ sincerely wants to select gifts that the recipient will like. All other identities are more about the giver.”

• **Identify products as gifts during the holiday season.** “At holiday time, people have gift-giving in mind, so it’s a smart move to highlight products as gifts, not just as general sales,” Duff says. “People are more likely to attend to it if it’s matching something they would like to accomplish.”

• **Customize products.** “Customers are really concerned with customization these days,” Otnes notes. “For example, good old M&Ms, this plain chocolate product that’s been around forever, has repositioned itself into this wonderful, almost luxury brand because you can customize it with pictures, with colors, with words. Right off the Internet you can order these things—and the prices are ridiculously high!” But people are buying, because they love the customization. Businesses that find original ways to offer customization find more customers interested in their product.

• **Accommodate customers.** “The number one thing businesses should do to attract gift-buyers is to offer better service from start to finish,” Lowrey says. “For online purchasing, this includes easier navigation, more timely and less costly shipping, more lenient return policies, etc. For brick and mortar purchasing, it means more salesclerks to help customers.
with their gift selections, free wrapping, and, again, more lenient return policies.”

- **Consider how rational arguments play out in emotional ads.** “When you start bringing rational arguments into more emotional ads, you aren’t making a singular connection,” Duff says. “I don’t care about your message for the most part, but if I am giving it a little bit of attention, I want something in return. I either want to feel good, be happy, or learn something or find a solution to a problem. I need to get something back. If you’re giving me a jumble of things, that doesn’t help. Having one main thing for consumers to grasp is probably best.

- **Grasp consumer psychology.** “Just increasingly understanding consumer psychology is incredibly important,” Duff says. “Understanding the context in which your product or brand is used becomes very important also, because there’s an increased understanding that people don’t necessarily always use a product or do things the way you tell them to.”

**Less to Spend**

The strategies these experts suggest are even more important as retailers continue to face the prospect of lower consumer spending in the current economic conditions. A 2009 study conducted by the International Council of Shopping Centers, reported that over three-fourths of more than 2,500 consumers said they had cut back their shopping in the past year (and women were much more likely to cut back than men). Most kept a tighter list on their dollars as either a “precautionary measure” or because it “seemed like the right thing to do.” While this study looked at all spending—not just on gifts—it’s apparent that gift purchases have taken a hit during the recession. People are cutting back on how much they spend, how many people they buy for, and when they begin shopping (many start earlier, to spread the costs out). In addition, more shoppers are frequenting discount or outlet stores and finding other ways to save money on gifts.

“The recession has likely led to selecting less expensive gifts,” says Lowrey. “Many people are also foregoing tangible gifts altogether—for example, going out to eat to celebrate an anniversary, rather than exchanging gifts.”

“You might make group family decisions like, this year we’ll do ‘X’ instead of giving Christmas presents—we’ll take our trip and that will count,” adds Otnes. Likewise, she says, the recipient of a Wal-Mart gift card might decide to spend it on needed groceries or other practical items instead of what we would traditionally consider a “gift.” On the other hand, it’s ironic that a recession can also do just the opposite—that is, it can prompt people to buy items that they might not normally buy. “You might not want to spend money, but maybe a $10 bar of soap will get you out of your funk—for example, if you didn’t get a raise,” Otnes says.

Pricing and bargains have become more salient during the recession. “People have gotten much more bargain-conscious, and it’s really shifted the way we shop for gifts,” Otnes says. “In the good old days, the Christmas shopping season started the day after Thanksgiving. Then retailers started to push the season to start in September. Now retailers are really worried because consumers are waiting as long as they can, gambiling that prices are going to go down as Christmas gets closer.”

**Gifts at Your Fingertips**

If fallout from the recession doesn’t complicate matters enough, e-commerce has created additional challenges, and opportunities, for retailers. Internet Retailer magazine estimates that more than 70 percent of consumers shop online during the holiday season.

“The Internet has changed gift shopping forever,” Otnes declares. “Some folks resist it, because it doesn’t allow them that ambient spirit of Christmas shopping—it dilutes the whole running around the night before and getting hot chocolate at Panera. So you have to choose as a consumer. What do you want to do? Most people do a little bit of both.”

One great advantage of the Internet, Otnes says, is it puts stores at your fingertips that you would otherwise never have access to. “I would say,” Lowrey adds, “that the Internet is probably the
Getting Down to Business

So, if gift-giving is big business, even in down times, what do retailers and marketers need to know to get their share of the gift-giving pie?

First, their advertising must be relevant. Keep in mind, Duff says, that the typical person sees about 5,000 ads a day. She recently asked her students to recall as many ads as they possibly could from the day before, and the most a student could recall was eight. The other 4,992 ads are filed under “Sensory Overload/Not Paying Attention/Don’t Care.”

The only way advertisers can get people to care is to be relevant. Duff likens it to what is called the “cocktail party effect,” which is the general ability to filter out important, relevant noises or those that require a response when there are many competing background noises. For instance, at a party, you focus on the people you’re talking with, and try to block out all the other noise around you. But if you happen to hear your name spoken at a nearby table, you pay attention. “We’re bombarded with messages as consumers, and don’t have the time to pick through the things that we are exposed to every day,” Duff says. “But we perk up when we hear something relevant.”

Being relevant—and thus being heard above the din—is perhaps the highest priority of an advertiser.

What makes an ad relevant? “At the core,” Duff notes, “you look at a brand and say that it should communicate specific, constant things, things that don’t change over time. But you need to communicate that brand messaging in a way that’s current and relevant. Advertising is culturally situated—which is why I can show an ad from the ‘70s or ‘80s and my students just laugh. The ads might still hold the same idea for now, but the ads themselves are so situated in a time and place that they don’t seem relevant anymore.”

The content of an ad is not the only consideration as to its relevancy with an audience. Connection planning, which focuses on how companies connect with their existing and potential customers through ad placement, is a growing consideration as well. The process has evolved from just knowing, say, what demographic reads Woman’s Day to understanding the mindset of readers or viewers who encounter their ads. “Connection planning brings in the emotional context,” Duff says. “People have shifting identities. Through connection planning, companies can better understand who people are while they are consuming their media or while they are reading their message.”

The best ads, Duff says, understand a product from a consumer’s point of view. “Advertising has increasingly moved from this idea that everything is about our product to maybe it’s a little bit about you, too.”

And that includes, she says, the realization that people might have a relationship with the product or store or brand. Again, just like gift-giving, it’s all about relationships.

–Tom Hanlon

single most important change in shopping in general in our generation.” It’s not only great for consumers, she says, but for businesses as well. “It has given businesses the ability to reach a much larger group of customers in a much easier way.”

And it has spawned gift sites such as etsy.com, which specializes in handmade items, and redenvelope.com, through which you can purchase gifts by various categories. Sure, you lose out on the hustle and bustle of holiday shopping among the crowds, but you gain bargains, the ability to compare products and prices, and access to pretty much whatever you want when you let your fingers do the shopping.

And, if you’re overwhelmed by all the choices, you can always go the increasingly popular route of gift cards. “There was this belief that consumers would resist this influx of gift cards because they’re not very personal,” Otnes says. “But the truth is they’re so convenient and they take the risk completely out, unless you completely blow it and get a card from a store that someone is boycotting.”

Understanding consumer psychology is incredibly important. Understanding the context in which your product or brand is used becomes very important also, because there’s an increased understanding that people don’t necessarily always use a product or do things the way you tell them to.”

–Brittany Duff
Back in the 1990s, the World Food Summit set a goal of cutting in half the number of hungry people in the world by 2015. Since then, the number of hungry people has soared from 824 million in the 1990-1992 period to more than one billion today, according to World Bank data. With the Summit’s deadline just three years away, the problem seems to be getting worse.

There are many reasons why the number of hungry would be on the upswing. But a new study raises an intriguing possibility—perhaps the methodology for counting them doesn’t always accurately measure who’s hungry and who’s not. The study was conducted by Nolan Miller, professor of finance and a faculty associate in the College’s Center for Business and Public Policy, and Robert Jensen, associate professor of public policy at UCLA’s School of Public Affairs.

The World Bank deems someone hungry if they get less than 2,100 calories a day. By that definition, one in seven people on the planet is hungry. But Miller and Jensen propose a second test—do people act like they are hungry? They tested their theory in China, and when they got done they found that acute hunger in China was becoming less, not more, of a problem. That’s about what you would expect, given China’s meteoric economic growth. But by contrast, other measures say China’s hunger problem is getting worse.

A Measured Response

By any system, hunger is hard to measure. An elderly woman may not be getting the allotted 2,100 calories a day—but then again, she probably doesn’t need that many. On the other hand, “A laborer may be eating a lot of calories, but not meeting his needs,” says Miller.

“If you think giving people more money will solve hunger, their behavior indicates otherwise. It may be that you need to complement cash aid with nutrition education.”

—Nolan Miller
One common-sense way to test whether someone is getting enough food is to look at what they eat. If they have enough money to buy meat, they’re probably not hungry. If they were hungry, according to Miller and Jensen’s theory, they would take the money they’re spending on meat and buy more staples such as rice. “When you get hungry, you start to veer toward the staples because they provide you with more calories at a lower cost,” says Miller.

Their findings are contained in a working paper, which is awaiting peer review required for publication. But the working paper has already received substantial attention in *The Economist* and elsewhere. Miller and Jensen also outlined their findings in an op-ed piece for *The New York Times*.

The researchers want to provide another hunger measurement tool so that policymakers can better target the limited funds available to ameliorate hunger. “We’re just trying to improve the way hunger is measured and understood,” says Miller. “We call people hungry if they act like they’re hungry.”

**Grains of Truth**

The starting point for their research was Asia. “If you look at China and India, where incomes are going up, people should be better off,” Miller says. Yet according to the standard measurement, hunger is increasing at the same time income is increasing. But when Miller and Jensen used their system, they found that people were indeed better off. “They haven’t necessarily increased their calories,” says Miller. But they were able to diversify their diet, and eat less rice. That meant they were better nourished.

To test their theory, they spent months in China recording what individuals in 1,300 very poor households ate. “We asked them to tell us everything they had eaten for a 24-hour period, and we collected data three times from each family.” All the families were picked from Chinese welfare lists. While there were some variations in income, all were living below the World Bank’s extreme poverty line. The researchers combined their findings with a broader set of data from the University of North Carolina to draw conclusions for the country as a whole.

“We’re not proposing our measure as an alternative to the existing system. But it could be used alongside the standard measure. So far, we’ve started to get more attention for our work, but I don’t know if it’s made it to the policymakers’ radar screens yet.”

— Nolan Miller
They found that when people were extremely strapped for cash, they would, out of economic necessity, get 80 percent or more of their calories from rice. That was the cheapest way to get the calories they needed and meet their other nutritional requirements “whether you’re talking about the construction worker or the elderly lady,” Miller says. But when their income went above 250 yuan per person per month (about $1 a day), they would diversify their diet and get fewer than 80 percent of their calories from rice.

The researchers also gave rice-subsidy coupons to some of the families. They did this to see what would happen if they artificially boosted family incomes by freeing up rice money to spend on other things. “When we did that, we found they spent more money on seafood. But they didn’t buy more food—they diversified their calories.” They also spent more on communications, possibly buying prepaid cell phones to call their friends and families.

**Food for Thought**

From the coupon experiment, the researchers concluded that either people didn’t need additional calories, or they needed additional calories and didn’t know it. “If you think giving people more money will solve hunger, their behavior indicates otherwise,” says Miller. “It may be that you need to complement cash aid with nutrition education.”

While their work raises questions about the existing yardstick for measuring hunger, the researchers are not suggesting that it should be scrapped. “We’re not proposing our measure as an alternative to the existing system,” says Miller. “But it could be used alongside the standard measure. So far, we’ve started to get more attention for our work, but I don’t know if it’s made it to the policymakers’ radar screens yet.”

–Doug McInnis

**Why Are So Many People Hungry?**

The world produces more than enough food to feed everyone, yet nearly one billion people are hungry. The World Hunger Education Service identifies five hard-to-solve problems that lead to hunger around the world. Here’s a breakdown:

1. **Poverty leaves many people with too little income to buy enough food.** Some 1.3 billion people in developing countries live on $1.25 a day or less.
2. **Inequitable economic systems concentrate resources and money in the hands of a minority who live well, leaving those at the bottom scarcely able to survive.**
3. **Hunger perpetuates hunger, because people who don’t get enough to eat suffer from poor health, low energy levels, and mental impairment, which in turn curtail their ability to work.**
4. **Wars create large numbers of refugees who often can’t get enough food.**
5. **Climate change is disrupting agriculture by increasing drought and flooding and by altering climate patterns in ways that require farmers to change crops and farming practices.**

*Source: Hunger and Poverty Facts for 2011 – A factsheet from the World Hunger Education Service.*

**“There’s not a global food shortage. But there is a problem supplying food that people want to eat at a price they can pay.”**

–Kathy Baylis
The planet now produces 17 percent more food per person than it did 30 years ago, so in theory there’s plenty of food for everyone. “There’s not a global food shortage,” says Kathy Baylis, assistant professor of agricultural and consumer economics and a faculty associate in the College’s Center for Business and Public Policy. “But there is a problem supplying food that people want to eat at a price they can pay.”

So what’s the best way to get hungry people fed? Should we be providing food, money, jobs, nutrition education, or other resources? While there may not be one sure-fire answer, Baylis believes that one thing that often doesn’t work is trying to give them food. “Usually the answer is not sending in bags of food, which is our first instinct,” she says. “It might get stolen. Or it might depress local crop production by destroying the market for food. In that case, you would be depressing rural incomes, which perpetuates the problem. It’s better to send in money. If they had money, they could buy food locally, which would stimulate the local economy.”

Nolan Miller, professor of finance, isn’t so sure that money alone is the answer. The buying behavior of those in his rice-subsidy coupon experiment (see main story) demonstrated that extra money didn’t mean it was used to purchase more food. He believes that one answer to addressing hunger could lie in a combination of cash aid and nutrition education.

Counting Calories

Once basic caloric requirements are met, many people face a secondary problem. “It’s possible to have enough food so that you are not hungry, but you could still be malnourished,” says Juan Andrade, assistant professor of food science and human nutrition. “You can satisfy the caloric requirements with staples. But those staples might not contain crucial micronutrients, such as iron and Vitamin A, unless national laws require that they be added. If you look at hunger only from the point of view of providing calories, you’re not solving the problem.”

Malnutrition is a complex problem tied to income, regional diets, and food preferences. It’s possible to live within your means and be well nourished, or rich and malnourished. Undernutrition occurs even in affluent countries.

“If low-income groups are trying to fulfill their needs with cheap, calorie-dense foods, they may have an issue with micronutrient intake,” Andrade says. “You can easily satisfy most micronutrient needs indulging on fruits and vegetables. But there are two reasons why they don’t, price and flavor. You can get vitamin A and vitamin C from a mango, but it costs $1 to $1.50. And $1.50 can buy something that is more fulfilling or appealing to some people, like a bag of corn chips—and the corn chips provide more calories.”

It’s possible to be cash strapped yet well nourished if you live in the right place, such as the biodiverse-rich rain forests of South America. Indigenous peoples there survive off the forests during times of hardship. “In the Amazon basin, people get their calories from nuts or roots or whatever the area provides,” says Andrade.

But as a rule, poverty limits food choices, while affluence tends to increase them. “In developing countries, you have to buy food to survive,” says Andrade. “People probably buy staples traditional to their country’s culture and agriculture. They probably buy the same food (consistently) and spend almost all their income to get it.”

You can satisfy the caloric requirements with staples. But those staples might not contain crucial micronutrients, such as iron and Vitamin A, unless national laws require that they be added. If you look at hunger only from the point of view of providing calories, you’re not solving the problem.”

—JUAN ANDRADE
Your study is the first to investigate the predictive ability of vocal cues for misreporting in a capital marketing setting. What are the implications of such research?

First, detection of deception from corporate executives is increasingly important. Regulators, lawmakers, investors, auditors, and others continue to be interested in detecting instances of corporate misreporting. The fraud perpetrated by Enron in the United States and Satyam Computers in India are just two examples of many in which executives managed or fabricated earnings and then deceived the public. Second, this study tests a new
New technologies are emerging to use voice patterns to detect emotion in human speech. We use one of these technologies, Layered Voice Analysis, or LVA, developed by Nemesysco, Inc. According to the manufacturer, LVA is comprised of a set of proprietary signal-processing algorithms that extract and combine vocal attributes from the full vocal spectrum in order to identify different types of stress, cognitive processes, and emotional reactions. Our study focuses on the emotion cognitive dissonance, which is the uncomfortable, anxious feeling an individual experiences when beliefs and actions are contradictory. This feeling leads to a negative emotional state, such as when someone believes they are an honest person but has just told a lie.

What do you see in the future for such software—in their uses and in their improved abilities to detect deception?

Certainly much more research needs to be done, and we believe that this technology is just a beginning. This technology or other emerging voice analysis tools can be quite useful to investors, auditors, regulators, and others in the financial markets. Each of the parties would find it valuable to better detect deception and cognitive dissonance from, for example, conference calls, interviews, or even talk shows on financial news networks. There is a rich variety of potential applications of this scientific research.

What cues does the software look for and pick up on to detect deception?

The technology works at the level of the vocal wave. In particular, it calibrates each person for their normal wave pattern, attempts to detect perturbations away from the normal wave pattern, and then classifies these into various emotions. The algorithm used by the software is proprietary, and the manufacturer did not share the inner workings of the software for obvious concerns about competition.

What impact will it have on companies and on CEOs and CFOs as they report financial information?

We already know that investor relations departments in major corporations are aware of studies such as ours, and it is well accepted that executives’ remarks are vetted through these IR departments. I imagine that corporate executives will continue to be coached and trained on how to communicate their message without disclosing their “true” emotions on a subject.

Does technology work better than a human at detecting “C-suite deceit”?

This is a challenging question to answer. My opinion is that both humans and technology are imperfect but that they could work together to do an overall better job. Thus, a human being aided by the technology should probably make better decisions than either of them can working alone. Certainly, humans have many advantages over simple software. Humans can factor in a wide range of information that the software does not consider. However, at the same time, we know that humans are prone to biases, mistakes, and heuristics. Thus, we are always looking for ways to improve our judgments.

How did you test the effectiveness of the software in your research and what conclusions did you reach regarding its ability to detect deception?

We did two things to test the software. First, we conducted a construct validity test in a laboratory setting using college-student subjects to show that the software is able to detect cognitive dissonance. Second, we applied the software to CEO speech in earnings conference calls. We found that vocal dissonance markers are positively associated with the likelihood of harmful financial statement restatements. That is, the software is predictive of financial restatements. The accuracy levels were 11 percent better than chance.
Managements of small and midsized American businesses have long complained that what’s good for the Goliaths of the business world isn’t necessarily good for the Davids when it comes to accounting standards. Now they are getting some relief—but, so far, only if they are privately held.

As of this year, these enterprises no longer have to comply with the extensive reporting requirements of the U.S. Generally Accepted Accounting Principles (GAAP). Under the new rules, just 230 pages long, it is now optional for small and midsized private firms to report quarterly, to calculate earnings per share, or to calculate separate numbers for every segment of their business.

Critics of the old rules welcome the change. “These companies are not likely to have complex transactions that would require detailed disclosure,” says Theodore Sougiannis, professor of accountancy. “For them, it makes sense to have something simpler. Because they are private and small, the simplified system should be sufficient. And if a creditor needs more detailed financial information, they can always ask for it.”

The complex standards in the U.S. GAAP are designed to provide crucial information to absentee investors and prospective investors who are geographically dispersed and do not have first-hand knowledge of the companies they might invest in. “The primary purpose of these standards is to help external users get information,” says Rashad Abdel-Khalik, professor of accountancy. “The investor has a simple request: ‘I want to know what they are doing or what they are going to do with my money.’ Small private
companies generally have no reason in principle to follow complex accounting standards. With a private company, the owners of the company are right there. There aren’t any outside investors, so why should you have to worry about compliance with very complex accounting standards when the owners have first-hand knowledge of what’s going on?”

**Whose Rules?**

The new rules were created by the International Accounting Standards Board and adopted in the United States by the Financial Accounting Standards Board, which is designated by the Securities and Exchange Commission to set U.S. accounting rules.

Under the new rules, many principles outlined in the full International Financial Reporting Standards have been simplified. These include guidelines for measuring assets, liabilities, income, and expenses. Topics that were irrelevant to small and midsized enterprises were dropped. The number of items that had to be disclosed were markedly scaled back. In addition, the new rules will be subject to change every three years—saving small businesses from having to make adjustments for continually changing standards.

The former requirements created a lot of extra paperwork for owners of small firms who already knew how their companies were doing and didn’t need to do calculations for things like earnings per share. “If you have a small company owned by four people, why do you have to worry about earnings per share?” asks Abdel-Khalik.

The new rules sweep much of the work away, according to an analysis by Fulcrum Inquiry, a Los Angeles litigation-consulting firm that deals with legal issues stemming from accounting and other business matters. “When compared to the full International Financial Reporting Standards, the new rules eliminate more than three-quarters of the disclosures, omit topics that are not likely to be relevant to smaller enterprises, and are written in ‘plain’ English. The new rules are dramatically simpler and shorter.”

While the changes will eliminate paperwork, it’s not clear how much money they may save. “An accountant may charge less to work with a simpler accounting system,” says Sougiannis. “But I don’t know if the savings will be significant.” In addition, companies may face costs as they make the changeover. In some instances, companies will need to do a cost-benefit analysis to determine the costs versus the benefits of switching, says Abdel-Khalik.

**Keep It Simple**

The simpler format means companies will need to put far less detail into their financial statements. As a result, they run the risk that they might not have enough information at hand to make certain internal businesses decisions. But that problem is easily resolved. “Remember, all the information they want is sitting there,” says Abdel-Khalik. “If they need it, they can always go back and get it.”

A company that decides to issue bonds or do an initial public offering will have to go back and redo its accounting for past years to comply with the tougher standards required of publicly held companies. “They can’t file an IPO with the public using the reduced format,” says Abdel-Khalik. “Typically they have to include three years of GAAP accounting for an IPO, plus a forward-looking disclosure covering their business. For example, they might have to say they are building an ethanol plant in Illinois, and the business prospects for the project are such and such.”

The IFRS said the new rules were designed to meet the needs of small and midsized companies globally. Reportedly, these companies account for 95 percent of the world’s businesses. So as the new rules are increasingly adopted, they should grease the wheels of the global economy. For instance, U.S. companies may find it easier to do business outside of the United States and obtain foreign financing because they will be using the same accounting system as their foreign counterparts.

“Using a common global financial accounting and reporting standard increases comparability between companies and improves the efficiency of conducting business across borders,” the IFRS reports. “In conducting business with private companies in different countries, lenders, venture capitalists and other users would just need to understand and work with just one financial accounting and reporting standard.”

–Doug McInnis
While Jim Cook gets plenty of his news and information from the Internet, he still really enjoys reading the printed versions of his favorite newspapers and magazines. His daughter, Pam, on the other hand, is almost exclusively an online reader, checking her favorite sites daily to keep tabs on her leisure and professional interests. And while Jim enjoys listening to a great Beatles or Rolling Stones CD, Pam’s preference is to listen to Katy Perry, Maroon 5, and One Republic on her iPod.

But when the daughter is looking for suggestions on how to handle a thorny professional problem, it doesn’t matter what technology or music her dad prefers or what their generational differences are. She just knows she can depend on him to provide solid advice based on years of experience. And when Jim needs to refine his spreadsheet skills, he knows just who to call for expert advice, too, because that’s a skill that’s second nature to Pam.

This father-daughter duo, both of whom work in public accounting and graduated from the University of Illinois, share the same name, the same profession, the same geography, and the same Illini loyalty. They just look at it all through the lens of a different generation.

Jim graduated in 1971, the year the NASDAQ opened and two years before the Financial Accounting Standards Board came into existence, and has been with Ernst & Young for 40 years. He has seen the profession change in size and scope from the creation of consulting practices in the 1980s and 1990s to the divestment of those same practices in a decade’s time, from periods of robust economic growth to perilous financial times, and from a largely self-regulated profession to a regulated one.

Pam earned her B.S. in 2007 and her M.A.S. in 2008, six years after the adoption of Sarbanes-Oxley and the creation of the Public Company Accounting Oversight Board. She is a senior auditor with Deloitte. In her experience, both as a student and a professional, accountancy has always been global, team-oriented, and regulated.

How do the different experiences and perspectives of those in Jim’s generation (the Baby Boomers) and Pam’s...
(Generation Y) play out in the workplace? And what does it mean when you also mix in the opinions and work habits of the Gen Xers, those born between 1965 and 1980, and the 65-and-older Traditionalists, many of whom continue in the workforce for financial and social reasons despite being eligible for retirement? With four generations in the workplace for the first time in history, the generational divide offers both challenges and opportunities.

Motivation & Communication

Each generation brings its own values, communication style, work ethic, and experience into the workplace. The chart on page 22 delineates some of the characteristics researchers attribute to each of the four cohorts. These differences can impact everything from employee interaction to recruiting to conflict resolution. They can affect team building, employee motivation, communication, commitment, and productivity. In short, generational differences in the workplace can have widespread consequences. Understanding where the “gaps” exist in an individual company and how to bridge them can create a healthier work climate for all employees and a stronger corporate culture overall.

And no one issue more clearly illustrates the divide than the issue of communication. Ravi Gajendran, assistant professor of business administration, researches how communication technologies impact organizational life. He says the multi-generational teams that are increasingly common in today’s work environment are particularly challenged by the communication preferences of workers.

“Relative to older employees, younger workers may prefer interacting virtually via IM, email, and text, even when face-to-face interaction is possible because they have grown up in a milieu where virtual interaction is a natural form of social communication. For example, growing up they may have texted their parents and siblings even when they are in different parts of the same house. Younger adults have been conditioned by Facebook updates, Twitter feeds, and text messages to use short, abbreviated communications. This may impact how they draft communications to others in an organization.”

Addressing these differences requires mutual adjustment. “Young people come into the workforce with a repertoire of skills,” says Gajendran, “and

Jim Cook

• Member of the Baby Boom Generation
• 1971 ILLINOIS graduate
• Partner at Ernst & Young
• Digital adopter
• Beatles and Rolling Stones fan
comfort with advanced technology is one of them. While they need to be ready to adjust their mode of communication to be more in line with the team, management also needs to accommodate for the preferred communication styles of younger workers.”

Organizations that make these accommodations can reap substantial benefits, says Gajendran. “Finding a way to address what could be a potential conflict can lead to more integrative

<table>
<thead>
<tr>
<th>The 411 On the Four Generations</th>
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</thead>
<tbody>
<tr>
<td><strong>Traditionalists (pre-1946)</strong></td>
</tr>
<tr>
<td><strong>How they see themselves</strong>: Patriotic, reliable, committed</td>
</tr>
<tr>
<td><strong>How others see them</strong>: Mature, thrifty, conservative</td>
</tr>
<tr>
<td><strong>What they value</strong>: Loyalty, honesty, self-reliance, hard work</td>
</tr>
<tr>
<td><strong>What they expect in the workplace</strong>: Discipline, consistency, hierarchy</td>
</tr>
<tr>
<td><strong>How they prefer to communicate</strong>: Formal, face-to-face conversations</td>
</tr>
<tr>
<td><strong>What they respond to</strong>: Logical arguments and traditional acknowledgment</td>
</tr>
</tbody>
</table>

| **Baby Boomers (1946-1964)** |
| **How they see themselves**: Idealistic, hard working, goal-oriented |
| **How others see them**: Efficient, rigid, self-sufficient, workaholics |
| **What they value**: Choice, convenience, personal fulfillment, leisure time |
| **What they expect in the workplace**: Productivity, advancement opportunities, collaboration |
| **How they prefer to communicate**: Clear statements of expectations |
| **What they respond to**: Inspirational talks and public acknowledgment |

| **Generation X (1965-1980)** |
| **How they see themselves**: Realistic, sensitive to and aware of cultural differences, outcome-oriented |
| **How others see them**: Smart, skeptical, tech savvy, impatient with the status quo |
| **What they value**: Flexibility, family time, individualism, control |
| **What they expect in the workplace**: Strong relationships, skill development, respect, quick gratification, feedback |
| **How they prefer to communicate**: Email |
| **What they respond to in the workplace**: A day off instead of public acknowledgment, perks, the ability to provide input |

| **Generation Y (1981-present)** |
| **How they see themselves**: Realistic, multitaskers, information seekers |
| **How others see them**: Energetic, entitled, technology natives, cynical |
| **What they value**: Flexibility, family time, individualism, control |
| **What they expect in the workplace**: Respect, constant stimulation, immediate gratification |
| **How they prefer to communicate**: Email, text, and informal conversations |
| **What they respond to in the workplace**: Flexibility, automatic and constant feedback, knowing their role in the vision of the company |

*Sources: American Demographics, University of Illinois Office of Extension, Lou Harris & Associates, fastcompany.com, Campus Market Expo.*
solutions for the organization.” He shares an example from his personal work experience as a manager at a large, multinational Fortune 500 consumer products company.

“One of the company’s sales teams adopted Yahoo Messenger because it was an efficient means for them to communicate,” Gajendran explains. “The company didn’t want them to use it because it wasn’t secure, but they used it anyway because it fit their needs and worked for their team. That forced the IT department to come up with a similar system that was proprietary, so that the needs of the team and the concerns of the company were addressed. This kind of change from the ground up can be extremely beneficial to an organization.”


– R A V I G A J E N D R A N

Being able to respond to such worker-led initiatives is a key strategy for successful companies because the influx of new employees and new technologies will require continuous periods of adjustment. But, Gajendran cautions, that “new” doesn’t just mean “young.”

“You can’t assume that a 60-year-old is technologically challenged or that a 19-year-old is technologically savvy,” he explains. “Part of it is really an experiential story, not an age-related one. Younger generations grew up knowing they could depend on technology to provide all the information they need. Older people grew up developing skills to memorize and retain information. But that doesn’t mean that older workers haven’t learned to use the technology or appreciate its benefits.”

Jim Cook agrees. “While communication has become more informal, I don’t sense that there’s any resistance on the part of the older workers in public accounting to embrace that change. There really is more of an interest in listening to and learning from one another that fosters collegiality and benefits workers of all ages.”

Generational Imprints

Aparna Joshi, an associate professor of labor and employment relations, says that while there is no doubt that generational differences impact the workplace, looking at age as the sole reason for that gap is too simplistic. She agrees with Gajendran that the experiential dimension is an important consideration and includes not only the technology that you’ve been exposed to but the defining historical and cultural events you experienced on the path to adulthood. Her research, recently published in the Academy of Management Review, identifies other key factors as well.

“There should be recognition that there can be organizational and economic issues that can be responsible for what might otherwise be considered generational gaps,” Joshi says. “For instance, if an organization has a strong recruiting cycle, or a weak one, that impacts the composition of the workforce they hire. Likewise, if the economy is weak it can result in gaps in hiring, leaving an organization heavy on one generation and light on another, which not only can impact the work environment but can leave a company deficient in a skill set possessed by a certain cohort.”

Joshi says that factions can also be related to when employees started working at a company or to the actual work duties they perform in addition to what generation they grew up in.

“Our message is that it’s a complex problem that can’t be solved by a one-size-fits-all approach,” she says. “Assumptions based solely on age can lead to some very faulty conclusions and missteps. That doesn’t mean that issues around age aren’t important or don’t exist. They are and they do, specifically in...
terms of how it impacts the transfer of knowledge in an organization with a high number of employees nearing retirement. But ‘aging’ and ‘age’ are not interchangeable terms. ‘Age’ is a diversity factor, just as race and gender are, and stereotyping is inappropriate in all cases.”

But just because the issue is complex, doesn’t mean we should avoid tackling it, says Joshi. “There are many risks for businesses that don’t address the differences that various cohorts bring to the workplace, including retention and engagement issues as well as productivity problems.” That’s why she suggests that organizations examine the issue through a wider lens rather than lumping everything together as a “generational problem.”

One way to do that, Joshi says, is to create a direct, customized approach whereby management determines what generational silos exist in the company and then tailor their employee training and programming to address those specific issues, rather than using a “toolkit” approach that paints with a broad, and sometimes stereotypical, brush.

There is much to be gained for an organization that mines this information and uses it. To the extent that there is a “generational imprint,” which Joshi describes as the skills and knowledge one generation passes on to the others, it allows the experience of that imprint to help the members of Generation Y understand those challenges. Likewise, Gen Xers have new skills, knowledge, and perspective to offer to the Baby Boomers. These generational imprints can create a collaborative and productive work environment if harnessed and respected.

**Teaming Up**

According to Joshi, intergenerational mentoring is one specific tool that companies can use to create a customized approach and a successful solution for bridging the generation gap.

It’s an approach that both Jim and Pam Cook say has been an important part of their work experiences at both Ernst & Young and Deloitte. “The command and control culture that dominated when I joined the workforce has dissipated,” says Jim. “There is a much more collegial culture that promotes interaction across generations through informal mentoring.”

That certainly has been Pam’s experience. “There is a true team focus and a great deal of collaboration across generations in our industry,” she says. “We get the perspective of those who have much more experience than we do, and there is a real willingness on the part of more experienced co-workers to listen to our opinions as well. Mutual respect evolves as a part of that experience, and that benefits our relationships, our work, and our firm.”

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Cathy Lockman

**Gen X says:** “I want to know that my work makes a difference for this company. If I only get feedback at my annual review, it’s not very motivating.”

**Traditional Talk:** “A paycheck and the satisfaction of a job well done is enough for me. I don’t need a pat on the back every day just for doing my job.”

**Words from Gen Y:** “I’m willing to work hard and take on extra responsibilities, but it’s very important to me to balance my work life and my personal life.”

**Boomer Speak:** “When I started out, it wasn’t unusual to be in the office 60 or 70 hours a week. It was the price you paid to move up the corporate ladder.”

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“A assumptions based solely on age can lead to some very faulty conclusions and missteps. That doesn’t mean that issues around age aren’t important or don’t exist. They are and they do, specifically in terms of how it impacts the transfer of knowledge in an organization with a high number of employees nearing retirement. But ‘aging’ and ‘age’ are not interchangeable terms. ‘Age’ is a diversity factor, just as race and gender are, and stereotyping is inappropriate in all cases.”

— Aruna Joshi
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Meeting of the Minds

BUSINESS LEADERSHIP

Leading Broad or Leading Deep
DEC 8, 2011
Lunch, 11:30am-1:30 pm

CORPORATE RESPONSIBILITY

Does the Public Trust Business?
MAR 7, 2012
Breakfast, 7:30-9:30 am

20 SOMETHING LEADERS IN BUSINESS

Negotiation 2.0
JAN 19, 2012
Evening, 5:30-7:30 pm

WOMEN IN BUSINESS

Building Your Personal Brand
MAY 2, 2012
Lunch, 11:30am-1:30 pm

DEEP DIVE WORKSHOP

Building & Sustaining an Innovative Organization
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