You Say Goodbye, I Say Hello: Succession Planning with an Aging Workforce

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Agenda

- Aging Workforce Issues
  - Know your risk horizon
  - The value of planning
- Goodbye and Hello
  - Why employees leave
  - Becoming an employer of choice
- Succession Planning
  - Succession planning nuts and bolts
  - Succession Planning Road Map
- Summary & Questions
Clean Water Services
Background

- 79 million people born between 1946 & 1964 in the US \(^1\)

- 64 million Baby Boomers are poised to retire in large numbers by the end of the decade \(^2\)

- Between 2002 and 2012, the U.S. population over the age of 55 will grow 49 percent, while the portion of the population under age 55 will only increase 5 percent \(^3\)

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1 – Wikipedia.org
2 - Managing the Mature Workforce – report #1369, The Conference Board
3- Urbana/Champaign News-Gazette (IL) (02/15/08); Dodson, Don
Goodbye or Hello

Older employees may not be ready or able to retire
- Leadership role
- May want to continue working (60%)\(^1\)
- May need to continue working (30%)\(^1\)

Organizations are finding they need to retain experienced workers
- Leadership role
- Institutional knowledge
- Skills and experience
- Local labor shortages

\(^1\) – April 24, 2008, Pew Research Center
Negative Stereotypes

- Older workers are less productive than younger workers
  - A recent study found mature employees have higher dependability and reliability and are more motivated than younger workers to exceed the requirements of their job\(^1\)

- Mature employees file age discrimination claims whenever a negative action is taken
  - The number of age discrimination cases in the U.S. fell by 22% from 2003 - 2006\(^2\)

\(^1\) Pirk, M (2008) Maximizing the Potential of the Older Workforce
\(^2\) EEOC
Negative Stereotypes

- **Older workers are more likely to take FMLA leave for their own or a family member’s serious health condition**
  - Employees between the ages of 25 and 34 are statistically the most likely to take family and medical leave

- **Older workers are unwilling to learn new skills**
  - Mature employees are motivated to learn new skills in order to keep their value to their employer
  - Younger workers are more likely to simply move on

\(^1\) US Dept of Labor
Examining Your Organization

Know your risk horizon
- Retirement potential
  - Age and length of service
  - Retirement plan eligibility and benefits
- Existing succession planning
- Skill sets needed
  - Static or dynamic
- Local labor availability
  - How hard is it to recruit new employees now
  - What is the competitive landscape
Why Plan?

- Continuity of operations
  - Lost productivity
- Smooth transitions
  - Departing personnel
  - New personnel
- Meet organizational objectives
  - Knowledge transfer
  - Maintain service levels
Succession Planning 101

- Succession planning is often confused with replacement planning which is a more basic process of identifying employees who can step in as back-ups
  - Replacement planning is still important
    - Sudden departures and personnel losses

- Succession planning is a more systematic approach for long-term objectives
  - Future may not be like the past, merely “cloning” past personnel may not be in the best interest of the organization
  - Identify internal talent pools
  - Assess what is needed to develop the pool
    - 80% readiness before promotion
  - External sources

The Nuts and Bolts of Succession Planning, William J. Rothwell, PhD, 2007
Succession planning should not just focus on management positions
- Critical functions
- Specialized skills
- Hard to recruit positions

Internal and External
- Development of existing personnel
- Knowledge transfer

Sometimes critical positions are not identified until the person is gone and no one knows how to perform their duties
Reasons Employees Leave

- Lack of opportunity to grow and be promoted
- Management doesn't clarify goals and decisions
- Supervisor shows favoritism
- Management creates a rigid structure
- Allows departments to compete against each other while promoting "teamwork"

*Stockholm School of Economics, Centre for Innovation and Operations Management, Jan. 2006*
Why Good Workers Resign

• Competitors want your best employees, and they can be lured away by higher pay and growth opportunities

• Recruiters are looking to cull the very people you cannot afford to lose

• The bad economy is the perfect time for them to strike!

Gregory P. Smith, Business Growth Specialist
“In today’s business environment, where many companies have reduced staff levels, managers need to be extra attentive to the needs of their teams, or they risk losing their most valuable employees.”

Max Messmer, CEO, Robert Half International, 2009
What Happens When Experienced Employees Leave?

Bye Bye, Knowledge
Lost Knowledge

• Thirty-nine years ago, Neil Armstrong became the first man to set foot on the moon, marking the zenith of a 10 year $24 billion space program by NASA.

• In the years following, NASA found it could not repeat the feat because all of the key people involved had retired and no one had recorded what they knew.

• The blueprints for Saturn V, the only rocket powerful enough to get to the moon, were lost.
What Should You Do *Before* Your Experienced Employees Leave or Your Older Employees Retire?
Plug the Knowledge Gap

“Organizations that do not ‘plug the knowledge gap’ will find themselves relearning, or renting, old knowledge at a high cost.”

One chalk mark - $1
Knowing where to put it - $49,999

John Davidson, Partner, Facilitators UK, Society of Petroleum Engineers, January 2006
Paying Greater Attention to Human Capital

• **Projected demographic trends**
  • Aging workers will be seen as an asset to be appreciated, and not a cost to be cut

• **The value of human capital**
  • People and their ideas will be recognized and identified as a commodity

• **A shift toward a knowledge-based economy**
  • Knowledge resources such as know-how and expertise are just as critical as other economic resources
Types of Knowledge

EXPLICIT

**Information** organized in a particular way for future retrieval.
- Documents, databases, spreadsheets, procedures

TACIT

**Knowledge** people carry in their heads.
- Most people are not aware of what they possess or its value to others
- Provides context for information and is not easily captured
Knowledge Harvesting

- Knowledge harvesting transfers individual's *tacit knowledge* to a more explicit format to be used by others
- Often completed when individuals are about to leave an organization
- Risk of knowledge loss is increasing due to:
  - Early retirement incentives
  - Business re-engineering
  - Down-sizing
  - Aging workforce
All around the world, knowledgeable people are retiring, and their knowledge is leaving with them

- Identification of crucial at-risk knowledge
- Prioritization of key at-risk knowledge holders
- Knowledge interviewing can discover the core tacit knowledge
- Packaging the knowledge into a reusable asset for others
Becoming an Employer of Choice

Companies are now focusing on how to recruit the best new employees...and keep the good employees they already have.

Toys?! This isn’t preschool!

Look! Two dinosaurs!
More Than a Buzz Word

- Becoming an employer of choice may require a new corporate culture
  - Employees are valuable assets to the organization

- What does it mean to be an employer of choice?
  - People will choose to work for you and dedicate themselves to the company’s success
  - Employees will choose to stay with you, even if courted by other employers

1 Pirk, M (2008) Maximizing the Potential of the Older Workforce 2 EEOC
Qualities of an Employer of Choice

A reputable company where employees can count on the organization’s honesty and integrity

A company culture that supports high values and standards

Enlightened leadership that has a clear vision and communicates it well

A caring attitude where the organization takes work-life balance into consideration

Competitive compensation and benefits packages

A corporate social conscience committed to making the world a better place
The $64,000 (or more) Question

Would your employees recommend your organization to others as a good place to work?
Chances Are....

- Your organization will be impacted by the aging workforce in one or more ways
  - Empty positions
  - Retention challenges
  - Knowledge gaps

- Those organizations that examine their specific situation then plan and adjust will be in the best position to leverage the experience of the older workers while attracting and integrating younger workers
Succession Planning Road Map

Step 1
Get commitment

Step 2
Analyze the work and people now

Step 3
Evaluate performance

Step 4
Analyze future work and needs

Step 5
Evaluate potential

Step 6
Develop people

Step 7
Evaluate program results

Analyze Current People and Jobs

Evaluate your current organizational needs

- Utilize org chart and information from managers and Human Resources
- Conduct a demographic study
  - Discover what percentage of employees will become retirement-eligible in the near future
  - Identify the key people whose departure would be a significant loss to the business
Evaluate Performance

Establish performance goals and incentives that are tied directly to corporate goals¹

– Allows management team to identify and reward “key performers” and identify areas that require development

– Don’t wait for openings to begin developing skill sets for a future responsibility or promotion

– Create opportunities for each individual as they grow and mature to help keep employees challenged and stimulated

¹Beyond.com (2008) Succession Planning for the Future
Analyze Future Work and Needs

- Employers are discovering they want to retain mature workers
  - Specialized knowledge
  - Labor shortage

- Organizations will also want to recruit older employees and cross-train older workers for other positions
Analyze Future Needs

- Retaining and recruiting mature workers may be important for your organization.

- Workplace characteristics preferred by older workers:
  - Training offered to employees
  - Willing to make workplace accommodations to suit their reduced physical capabilities
  - Provides flexible scheduling (such as part time work and work from home)
  - Offer retirement and health benefits

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1 Galloway Consulting Group (2007) Retaining Skills and knowledge as Older Employees Start to Retire
Evaluate and Develop Older Workers

- Develop an internal career path for mature employees to follow based on abilities and talents to continue to grow within the organization
- Encourage key employees to continue their education
  - Offer specialized training
- Create new hiring strategies
- Develop rewards to encourage mature workers
- Communicate success
Summary

- All organizations will be affected by the aging workforce and could benefit from utilizing succession planning.
- Understand why your employees leave - this is critical to retaining your best and brightest.
- Take steps to harvest the knowledge from the experienced employees BEFORE they leave.
- As the economy recovers, it will become important to be an employer of choice in order to recruit and retain top talent.
- Assess your company’s ability to attract and retain mature employees.
- Utilize the succession planning road map to develop older workers and utilize them to their full potential.
Questions?

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The Aging Process

What we all have to look forward to:

- Loss of muscle strength, flexibility, hearing, reduced grip strength, ROM, reduced nervous system responses
- Tire more quickly, take longer to recover, less endurance, diminished postural steadiness, reduced visual capacity
- Chronic illnesses – diabetes, high BP, osteoporosis, arthritis, etc.

*National Institute for Occupational Safety & Health, 2005-159*
The Aging Process

What we all have to look forward to:

- Body's metabolic rate slows and can lead to obesity & an increase in bad cholesterol levels
- Decline in mental function complex problem-solving, multi-tasking, slowing of mental processing
- Increase in MVAs – Leading cause of occupational fatalities for older workers in the U.S.*

*National Institute for Occupational Safety & Health, 2005-159
Wellness Programs

- A fully developed wellness program addresses physical, nutrition and mental health issues for aging workers
- Beneficial for both employers and employees
- Exercise improves flexibility, strength and range of motion
- Older employees may not be aware that good nutrition can help with disease management and prevention
  - Employers can offer healthy food options on site
Benefits of a Wellness Program

- The results of a healthier workforce
  - Lower sick leave usage
  - Higher productivity
  - Lower rate of injury and illness
  - Faster recovery
- It’s never too late - small lifestyle changes can be beneficial
- Health screenings can detect medical issues affecting older workers
  - Vision testing
  - Cholesterol and Diabetes checks
  - Blood pressure
- Key cost issue: Poorly managed chronic diseases