



Succession Planning Risks: Fiction or Fact?



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SUCCESSION PLANNING RISKS...FICTION OR FACT?

By now you have heard the statistics, the predictions and the dire warnings about the future shortage of trained workers. Is this a repeat of the Y2K type issue, or should your organization be worried? Do you need to invest time and money into human resource planning for the future?

The fast answer is YES! How much time and effort you need to invest is a more complex question. Typical to the Y2K issues the correct answer for your organization is unique to your industry and the profile of your workforce. Some HR strategy planners are saying, "Our workforce is young, so we don't have a problem." They are wrong! This worker shortage will affect every organization or company.

In the first 58 years of its existence, the baby boom generation changed every major social institution from education to employment to health care. There is no doubt that many workers who are leading today's organizations or filling key positions are nearing retirement. The "aging workforce" phrase is but the latest in the progression of this generation.

In assessing your organization's level of risk, you need to ask several basic but difficult questions. Are you able to forecast your HR needs for the future? Who do you see filling these roles? Where will you go to find talented individuals for the approaching vacancies? How will you

retain 'your key workers' as the job market becomes more competitive?

These questions are especially relevant for public sector, quasi-government organizations and utilities, which are facing the loss of 40 to 50 percent of their workforce in the next few years. At the same time, there are too few people at younger ages to replace the baby boomers. Some organizations are missing two generations of employees due to hiring restrictions for a period of time.



WORKFORCE AND SUCCESSION PLANNING

Although organizations began looking at these issues in the early 1990's, in the past three to five years a sense of urgency has developed around workforce demographics. Economic issues such as globalization, worker productivity and outsourcing are closely tied to the availability of a "ready, willing and able" workforce.

Just last week an article in the Globe and Mail touted the opportunities for trained workers during the 2006 year. The article finished by coaching employees on how to protect themselves from outsourcing and downsizing. The view of workers seizing the opportunities and managing their own career growth is characteristic of the growing "emergent workforce". Employers were clearly second-class readers, in that writer's view. In addition, organizations with a

shrinking workforce can find themselves in the situation where only one individual owns key information about specific processes, procedures and the history of decision making in the organization. In this case, the loss of one person adversely affects the operation of an entire organization.

At the same time, the world is competing for the same talented individuals. Now your most valuable employees can choose from work options and they are often interviewing multiple organizations that are competing for their talent. That makes your challenge even more complex as you cannot always predict these unplanned vacancies.

The questions just keep building. Where will you look for talented individuals to fill these predicted and unpredicted gaps? How will you prepare your organization to compete for the best job candidates? How will you inspire and retain those who you do attract and hire? How will you know which of these individuals are the best fit with your key “at risk” positions. How will you go about preparing these talented employees to be ready to take over when a predicted or unplanned loss of an individual in a key position occurs? How will you maintain (or transition) the “culture” of your organization?

IDEAS FROM THE “BEST IN CLASS” HR PLANNERS

“The SHRM 2004-2005 Workplace Forecast shows that HR professionals rate preparing for the next wave of retirement as the third most important trend in the HR profession, and a large



number plan on investing more in training and development to boost employee skill levels, as

well as use succession planning to a greater extent.” (SHRM 2005 Workforce Report)

The best practices in planning include:

- Planning for the development or replacement of key leaders
- Identification of key positions and the competencies needed to be successful in these roles
- Identifying critical success factors for leadership development & key position development
- Appointing HR Strategic Practitioners and hiring Senior HR Leaders with strategic business goals as a job priority

The best practices in development include:

- Building a “talent pipeline” to fulfil and champion these key roles
- Identifying Talent Champions to lead or model the needed development of future talent
- Providing opportunities for accelerated development or growth in critical areas of the organization

- Creating the needed “value proposition” to attract, retain and maintain key workers

Leaders in Succession Planning recognize the importance of the Strategic HR Practitioner. These are individuals familiar with HR research on trends, such as the Spherion studies on the emergent worker. For example, if the Spherion research trends continue as seen over the past six years, by 2009 75% of the workforce will be holding “emergent work values”. To provide the time needed to shift the organizational culture to meet the new worker needs, the HR group need this critical strategic planning focus. The Strategic HR Practitioners are the future champions of the cultural transformation in the succession planning process.

A workplace with rapid knowledge turnover will increase the importance of position profiling and the use of tests or tools to assist in the rapid assessment of candidates. Hiring with future needs in mind, the candidates hired require the potential to learn quickly and need to demonstrate the “core competencies” needed for future growth and success. Further, in a competitive market, employers using slow hiring methods will lose the best candidates to others.



SHALL WE “HIRE” OR “DEVELOP” SKILLS NEEDED IN THE FUTURE?

The shift to a knowledge economy makes the knowledge, skills and competencies of employees the most significant driver of an organization’s value. However, “because the increase in knowledge turnover is now so rapid, a greater investment in skills development is required. Though employees take on some of this burden through their own investment in education, the growth of specialized knowledge means that employers will increasingly need to take on the responsibility of providing more specialized business or sector-specific training and education” (Schramm, Manager, Workplace Trends and Forecasting – SHRM).

WHAT ABOUT THE CHANGING ORGANIZATIONAL CULTURE?

The final major impact with the shortage of workers will be upon the organizational culture. We are already seeing much greater diversity within the workforce. Emergent workers bring differing expectations of leaders. Women are moving into non-traditional careers. Workers are being recruited internationally to meet the needs of key roles.

The future shortages are going to change the face of the workforce. Managing the transition points will be tricky and perhaps painful. Despite the challenges, these changes offer high opportunity for organizations prepared to synergize these differing viewpoints.

SUMMARY

Today, strategic refocusing of business priorities is the primary role of HR Succession Planning. The future challenges are likely to be in managing a complex workforce, through a structured and practical approach to developing human resources.

Traditional leadership training will not meet the future demands. Employees are predicted to be more demanding and less forgiving. They will “talk with their feet” by leaving less effective organizations.

We need to find, develop and retain the workers of the future to stay competitive. How organizations plan and support these key human resources will be the single greatest factor in their future success.

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