

SUCCESSION PLANNING: RETAINING ORGANIZATIONAL KNOWLEDGE

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INTRODUCTION

Mass Exodus

Human Resource practitioners have long considered the ramifications of a mass exodus as Baby Boomers set their sights on retirement. State and local governments across the country are recognizing the need to address this trend by implementing formal succession plans within their organizations. In January 2010, the *Center for State and Local Government Excellence* (SLGE) announced (2) that 46 percent of human resource professionals were reporting that retirement-eligible employees are postponing their retirement plans due to the economic downturn. In May 2011, SLGE (1) announced that 25 percent of human resource staff is reporting that employees are accelerating their plans for retirement.

These reports indicate that while the recent economic recession may have temporarily stalled the retirement plans of some older government employees, which has provided a buffer from the anticipated loss of a large number of workers, there is growing evidence that many Baby Boomer employees are now gearing up for retirement.

Human Capital Challenges

Managers today face multiple human capital challenges. A *Performance Agents* report, *The Baby Boomer Exodus: Retaining Knowledge and Experience after Retirement*, notes (1) that the potential loss of institutional and operational knowledge as senior employees walk out the door almost perfectly dovetails with a shrinking pool of qualified employees. Added to that, a CBS News 60 Minutes program reports that the entrance of a new generation of employees, the Millennials, is bringing different work motivations, habits, and expectations to the workplace (*Millennials 2008*). In fact, the overlap of these multi-generational values and attitudes can present its own challenges, according to Susan Hannam and Bonnie Yordi, authors of *Engaging a Multi-Generational Workforce* (2011).

Organizations are now faced with a workforce that includes four generations, tighter budgets, a shortage of talent/experience, changing worker expectations, and the looming threat of an exodus of large numbers of Baby Boomer workers.

Delayed Departure = Opportunity

The recent economic recession has provided a little breathing room for leaders to construct a successful plan, but organizations have not ‘dodged the bullet’ of potentially dramatic shifts in a changing work force. This delayed departure of large numbers of retirement-eligible employees has created a unique window of opportunity for savvy managers to reconsider their approach to ensuring retention of critical knowledge and successful job transitions.

This paper describes why local governments should retain and hire older workers, what managers should do to further engage older workers in taking a lead role in preparing future leaders, and why crafting a multi-generational workforce helps ensure streamlined succession as senior workers prepare to retire. According to Hannam and Yordi (13), employers that do not engage all four working generations risk lowered productivity. The stalled retirement plans of Baby Boomers offer an opportunity for managers to bridge the generation gap and creatively plan for continued excellence in service delivery to citizens for years to come.

BRAIN DRAIN

Intricate Knowledge

While the private sector has not always been kind to the older worker, the public sector tends to value the contribution of senior employees. But it seems private sector fears of large losses in Baby Boomer workers are becoming as valid and relevant as those of the public sector.

In the 2006 *Performance Agent* publication (1), the author asserts that the loss of Baby Boomers creates not only the task of replacing manpower in a shrinking labor pool, but requires managers to undertake the “...monumental task of staying competitive in the absence of their knowledge and experience; *intricate knowledge and experience* – of our customers, our marketplace, our products and services, our systems, our processes, and our culture.”

It seems few large companies have demonstrated appreciation for the contribution of older workers. In her publication *Are You Ready for When Baby Boomers Retire* (2005), author Anne Fisher (1) states that in an attempt to cut costs, some employers push age 50+ workers out the door, despite age discrimination litigation. Fisher warns that organizations risk pushing critical knowledge and expertise out the door along with the worker. Demographics suggest that organizations face a dangerous ‘brain drain’ from voluntary retirements alone. According to Fisher (3), the loss of critical knowledge can be very costly:

“Consider the chilling example of the National Aeronautics and Space Administration. Way back in the 1960s it spent \$24 billion (in 1969 dollars)—and at one point employed 400,000 people—to send 12 astronauts to the moon. But in the 23 years since the Apollo program ended, the engineers who carried crucial know-how in their heads, without ever passing it on to colleagues, have retired or died (or both). At the same time, important blueprints were catalogued incorrectly or not at all, and the people who drew them are no longer around to draw them again. So to fulfill the Bush administration’s promise to return to the moon in the next decade, NASA is essentially starting all over again. Estimated cost to taxpayers in current dollars: \$100 billion.”

Most workers are hardly as specialized as the Apollo program engineers, but many older employees offer unique abilities, borne of experience, to streamline processes, anticipate and quickly resolve problems, and increase productivity.

Smooth Operators

Performance Agents (2) highlights examples of the considerable knowledge equity that many older workers possess. Considered “smooth operators”, they often understand intricate aspects of daily operations. Some examples:

- The warehouse manager who knows the old product bar codes, before the new inventory system was implemented, and uses them daily to quickly and accurately identify the items needed to fill orders.
- The front line workers who have assembled that part or product so many times they’re down to a .02% error rate per x thousand units.
- The help desk technician who knows all the legacy software, before and after three version upgrades, and who can troubleshoot in half the time and close twice as many tickets as anyone else.

Planning for Departure

Fisher (3) notes that the brain drain phenomenon has spurred several large companies to work on ways to capture the knowledge of older workers and disseminate it to younger workers before it’s too late. For many governmental organizations, the focus is also on retaining the more seasoned employee; however, retaining workers without a clear plan to retain their knowledge is simply delaying the dreaded workforce crises.

According to Hannam and Yodi (7), “As organizations prepare for the coming generational shift, they need to take full advantage of the knowledge of their experienced workers, while at the same time rethinking old paradigms about what work is and how it gets done.”

SUCCESSION PLANNING

Identifying Stars

The *Local Government Improvement and Development Agency* (2010) defines succession planning "...as a process by which one or more successors are identified for key posts (or groups of similar key posts), and career moves and/or development activities are planned for these successors."

Ann Pomeroy, author of *Governments, Too, Lag Behind in Succession Planning* (*Allbusiness.com* 2007), writes that a recent study conducted by the Waters Group indicates that nearly half (48 percent) of local government employee survey respondents did not believe their organization did a good job in succession planning. Interestingly, older employees tended to believe their departments did a good job preparing and training people for advancement while younger employees are less convinced.

Certainly, the departure of individual senior staff is not necessarily viewed as detrimental. Staff retirement can present new opportunities to restructure sluggish departments or to reform outdated methodologies. Even so, given that local governments are potentially on the precipice of losing a substantial pool of collective knowledge, including organizational history, operational practices that may not be formalized, and work methods borne of maturity and experience, the potential loss cannot be viewed lightly.

In his work, *Are Retiring Baby Boomers Worth Keeping?* Scott Cranford (1) asserts that successful planning requires management to ask important questions:

- How many boomers will you be losing and on what schedule?
- Which ones have knowledge, skills, or customer relationships that *must* be retained?

- What would be the costs of that retention? How do you systematize knowledge transfer from the ones who are leaving?

These considerations help determine a solid plan of action. Fisher (1) suggests that the amount of critical knowledge among employees within the same organization can vary quite a bit, and it's important to identify those who have the know-how that really must be retained. Identifying and targeting these workers as key players in the succession plan will help ensure successful transfer of knowledge and help groom younger workers for leadership positions.

As important to the plan is identifying and tapping into the potential of younger or non-retiring workers to take on lead roles within the organization. Dr. Christi Sanders, in *Leaving a Legacy: Succession Planning in Texas City Government* (10), suggests utilizing quality performance reviews to identify potential leaders; offering them monthly training with a focus on providing insight into city operations; providing learning sessions by in-house experts; and engaging in cost-sharing with other cities to provide leadership training to promising employees.

GRAY IS GOOD

Baby Boomers

The Baby Boomer generation is defined as that mammoth group of Americans, approximately 76 million persons, born between 1946 and 1964, as described by Dr. Barbara McIntosh in *An Employer's Guide to Older Workers: How to win them back and convince them to stay* (4). The first Baby Boomers filed for Social Security in 2007. This generation has greatly impacted the world, from its influence on technology, pop culture, work and gender roles, to home life and health care. According to Dr. Sanders (10), the Baby Boomer generation is “predicted to again change the world by the simple act of retirement.”

Delayed Retirement

But retirement trends have changed over the last several decades. Advances in medicine have allowed people to stay healthier longer, continuing to work and be productive. According to the AARP Public Policy Institute (2004), labor force participation rates have been rising even among persons in their late 60s and 70s – beyond the age of traditional retirement. Authors of *Old. Smart. Productive.*, Peter Coy and Diane Brady (3) note that the latest uptick in working ages can be partly blamed on dented retirement savings, caused by the stock market drop. But, they assert, financial need cannot be the entire reason older Americans are working more. Better health, fewer physically demanding tasks, the removal of institutional barriers to working longer such as mandatory retirement ages, or the decrease in defined-benefit pension plans that allow for retiring young are influencing individual choices regarding retirement.

Retaining Older Workers

Smart managers will provide incentive to retain and hire older workers. Supporting the multi-generational workforce provides opportunities to tap into the best qualities and talents of all generations. Cranford (3) notes that retaining the older worker has several advantages; many exhibit a tendency toward excellent work ethic, good attendance, punctuality, interpersonal skills, customer service, knowledge, and an eagerness to acquire new skills.

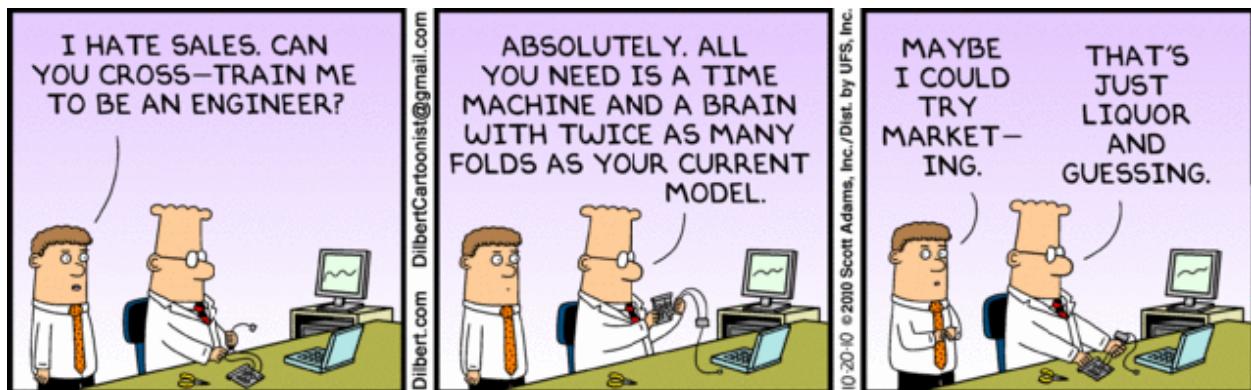
In addition, McIntosh (6) highlights the results of several studies in which older workers are viewed as good employees. Among the findings, the majority of human resource professionals found older employees to possess higher levels of commitment to the organization; cost less or the same to train as younger employees (and that age does not affect the amount of time required to train employees); and older workers grasped new concepts as well as younger workers. Coy and Brady (4) note that the spreading use of memory-enhancing drugs and technological aids such as personal assistants and search engines are providing older workers with tools to battle the mental impairment that may come

with age, thus allowing workers to remain productive longer.

MENTOR. SCHMENTOR.

Engaging the Reluctant Mentor

In an effort to retain organizational knowledge, some organizations pair a new worker with an older worker in mentorship relationships. The strategy is intended to transfer knowledge of operational, procedural, and behavioral expertise. According to *Performance Agents* (4), "Mentorships also require that your mentors be willing to mentor and that they are good teachers who can give appropriate and encouraging feedback, which is often a challenge, but even more so since your retirees will not likely have volunteered their services out of passion but will have been asked to mentor in order to groom their replacements."



"Dilbert" workplace comic strip (Adams 2010).

The challenge for managers is in creating an environment whereby senior employees recognize the importance of imparting knowledge and skill transfer to future leaders of the organization, do not feel threatened by younger workers, and are encouraged to share this knowledge because it sustains organizational integrity and ensures continuity in service provision. Sanders (11) believes that many older employees do not share their institutional knowledge because they fear that they will be pushed out by younger employees.

Managers should make it clear that an older employee's job is in "no way threatened by the passing of knowledge to a younger worker."

Building a Legacy

In fact, a senior employee's legacy within an organization will likely fully form within the last years of their employment, as younger workers learn from seasoned employee's experiences and gain appreciation for their hard-earned competence. Managers should encourage and support a strong mentor/job shadowing program. Such programs not only transfer knowledge to younger employees but can be a rewarding endeavor for older workers who may worry that they are becoming less relevant in a youth-obsessed culture or that numerous years of loyal service will be forgotten once they exit the workforce.

The work environment should include open discussion about the older workers legacy within the organization. Let's face it, everyone leaves eventually. By discussing an employee's retirement plans (including plans not to retire) and desired work arrangements, quelling fears of replacement, and outlining expectations of the older worker (including knowledge transfer), the older worker is more likely to invest in the succession plan. Dr. Sanders (12), a human resource professional, points to a real-life example of this type discussion when an older city department head shares his retirement plans. This conversation helps management prepare for his replacement within a certain timeframe. The discussion allowed the employee the flexibility to change his mind and stay on an additional year if he chose. Also, an alternative working arrangement is considered. The key is to encourage an exchange whereby employees feel free to honestly discuss their plans, giving management the opportunity to craft a plan that meets the needs of the employee as well as the organization.

Through encouragement from top management, reluctant mentors may recognize that their active participation in the succession plan can be the key to their own longevity and

continued value, and to the future success of the organization. Indeed, this type of participation in the success of the organization ensures a truly inspiring legacy, one that exemplifies the very values many Baby Boomers tout; work ethic, commitment, and loyalty. Sanders (13) states, “If you are a municipal leader who is eligible to retire, don’t be guilty of a ‘retired-on-duty’ attitude. Leave us a legacy of preparedness for the future. Give us your knowledge, and let us continue to build on the foundation you laid so that as the winds of change shift, Texas cities remain the shining stars of our state that you built them to be.”

Multi-Generational Workforce

Millennial workers are identified as the generation born between 1980 and 1995 (*Millennials* 2008). Today's leaders are wise to tap into the strengths of this newest member of the workforce. According to Hannam and Yordi (12), there is growing consensus that this group will need mentoring. "This does not mean they are coming to work unprepared with nothing to offer. On the contrary, despite some initial concerns about this cohort from employers, they have proven exceptional team players, collaborative, respectful of opinions of authority figures, and very eager to learn. They are concerned about community service and helping others and they are optimistic." The authors suggest (8) that "Managers who harness this unprecedented opportunity for growth, development and collaboration, and build bridges between generations, will thrive."

In devising the mentoring program, Scott Cranford (6) notes that, "Mentored employees need to understand how to accomplish job responsibilities; but more important, they need to understand where to go to get information and how to effectively use this information once they have it. The observation of techniques and approaches used by more experienced personnel is critical." He suggests that organizations provide additional bonus compensation that is contingent on ensuring effective transfer of knowledge.

OLD DOGS, NEW TRICKS

Knowledge Sharing Culture

Structuring the succession plan as a strategy for enhanced learning throughout the organization will benefit all employees. This learning environment not only helps capture knowledge from older workers, but helps create a culture of knowledge sharing. It is not a one-way street. Hannam and Yodi (5) suggest “reverse mentoring” as a way to share knowledge between generations. This type of relationship not only transfers organizational knowledge to younger workers but allows younger workers to assist older workers in developing technical and social media skills to better understand the networking styles of the millennial generation.

Also, senior employees should be held to the same career development standards as younger workers. In fact, to require that older employees keep abreast of new technologies and work methods is not likely to drive the seasoned worker away, as some manager's may fear. The opposite may be true, as studies indicate that older workers are more than willing to accept new challenges and learn new skills. According to Coy and Brady (5), organizations are missing an opportunity by giving less training to older workers. “Research shows that they tend to operate information technology more slowly, but with fewer errors.”

A Changing Workplace

Hannam and Yordi (9) highlight six trends affecting the multi-generational workforce: increased use of new technologies to communicate; increased expectation of work-life flexibility; increased expectation for continual growth and development; increased need for new ways to recognize and reward employees; increased need to engage the entire workforce; and increased emphasis on innovation.

NOT YOUR GRANDPA'S WORK SCHEDULE

Creating Incentives

Interestingly, the influx of younger generations, along with their expectation of more flexibility and emphasis on productivity vs. face-time, now appeals to the Baby Boomer worker as well. Hannam and Yordi (10) note that “Boomers too are beginning to seek more flexibility as they find themselves ‘sandwiched’ between caring for children and elderly parents, or as they consider working beyond a traditional retirement age.”

Hannam and Yordi (17) highlight the 2010 launch of the U.S. Office of Personnel Management (OPM) *Career Patterns* program (www.telework.gov), which offers employers and employees training on less traditional work arrangements such as compressed work schedules, credit hours, and flexible work schedules. A study (qtd. In Hannam and Yordi 17) by the Telework Research Network cites potential federal government savings of nearly \$3.8 billion as a result of reduced real estate costs, electricity savings, reduced absenteeism, and reduced employee turnover.

The notion of work/life balance may be the key to retaining older workers as well as satisfying the expectation of younger ones. An American Association of Retired Persons (AARP) publication, *Breaking the Silver Ceiling* (3), notes that older workers value retirement jobs that offer flexibility, regardless of their full-or part-time status. Older workers are interested in flexible hours, part-time work, and non-traditional arrangements. As organizations struggle to redefine the rules of the workplace, it is important to remember that one size does not fit all. The AARP publication (3) states “Employers who listen to what older workers are saying and who then assess their own workplace and offerings will find themselves at a competitive advantage, especially in the future.”

Managers should consider the changing work/life issues that seniors face. According to Coy and Brady (5) the goal is to “introduce more flexibility into pay and retirement systems,

to create more options as workers age.” The notion of phased retirement is appealing to the worker who is not quite ready to fully exit the workforce. As Coy and Brady point out (5), elder-care benefits, “on-call” work hours, and alternate work locations are some of the innovative ideas that will help retain the older worker.

Paradigm Shift

Cranford (4) suggests that employers also consider pension plan revisions that adjust for reduced hours, health care adjustments for the “working retired”, policies pertaining to time off with-and without-pay, incentives for knowledge transfer, and consideration of how these changes could affect the rest of the workforce. These non-traditional policies may require a paradigm shift for the entire organization. Cranford (6) asserts that the loss of critical talent in the workplace has the potential to impact every department within the organization. Therefore, all levels of management should be involved in the process of succession planning.

Coy and Brady (6) conclude that the older worker has become the largest underutilized pool of human resources in the economy. By re-examining the nine-to-five world of our grandfathers, and recognizing the changing needs, desires, and abilities of today’s worker, managers can create a succession plan that not only retains organizational knowledge, but offers opportunity to create and support a culture of learning and innovation.

CONCLUSION

A robust mentoring/job shadowing program, along with emphasis on skills and knowledge transfer, investment in employee development, and retention of older workers in a multi-generational workforce, are organizational values that must come from top management. Managers must set the tone for success and act as change agents, crafting a successful plan that meets the needs of employees and the organization.

Cranford (7) notes that there are several considerations when changing workforce behaviors:

- Is your current workforce aware of the need to change practices to better suit the styles and needs of retained Baby Boomers? □ Are Baby Boomers aware of the need to change practices to most effectively work with tomorrow's workforce?
- Does the workforce have the knowledge to understand the reasons for changing behavior? □ Do they have the skills, ability, and more importantly, the desire to implement these workforce changes? □ How does management reinforce these changes?

Ultimately, the goal of a good succession plan should be to nurture a learning environment whereby employees of all ages and levels understand the importance of best practices, transfer of knowledge, and avoiding 'silos' of insular departmental activity that act at cross purposes with the mission of the organization (*Smashing Silos* 2010).

A culture of knowledge sharing, an open-door policy that encourages discussion with management about retirement/career plans and employee needs, and management's willingness to re-think how work is accomplished can facilitate a more productive and engaged workforce, helping organizations retain critical knowledge for future success.

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