



SUCCESS PLAN



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A Challenge for the 21st Century

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Editor's Note: Over the next several years, water and wastewater utilities will experience a dramatic exodus as many of their employees retire. Mr. Olstein is the principal investigator for Succession Planning for a Vital Workforce in the Information Age, a study funded by the American Water Works Association Research Foundation and the Water Environment Research Foundation to examine this issue and offer recommendations.

The last decade of the 20th century was a period of staffing reductions. Association of Metropolitan Sewerage Agencies surveys of the wastewater industry show that these utilities reduced personnel by 30 percent between 1990 and 1999. Anecdotal evidence indicates that water utilities had similar reductions during this same time period.

However, there is a coming demographic wave that will substantially change the nature of the utility workforce. Management's challenge will be to deal with the departure of the baby boomers and facilitate the training of their replacements who will need a different set of skills to succeed in the higher-tech utility of the future.

The following statistics help to define this challenge:

- The Government Accountability Office (GAO) estimates that 30 percent of the federal work force (a reasonable proxy for utility workers) will retire in the next five years.
- AFSCME [the American Federation of State, County, and Municipal Employees] expects one-fourth of its members to retire by 2010.
- Gen X (the group following the baby boomers) is some 34 million people smaller than the baby boom generation; employment growth during this generational change will come from immigrants and those over age 55 reentering the workforce.
- Although the National Science and Technology Council and the Department of Labor Statistics expect demand for engineers to grow by more than 60 percent from 1996 to 2008, the number of engineering graduates has been declining since 1995.
- Women now substantially outnumber men at the undergraduate level in college.

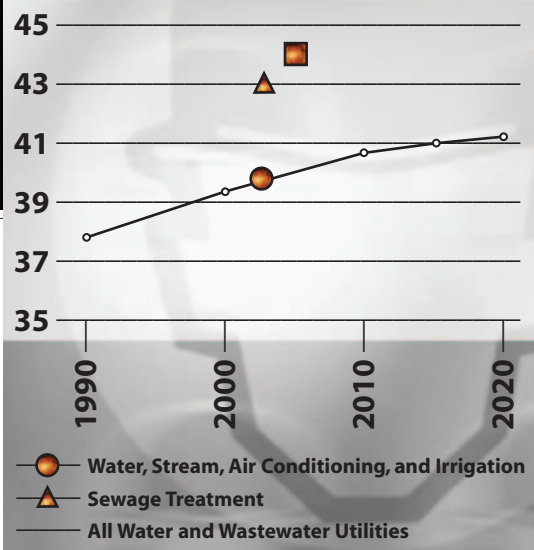
There will be significant workforce turnover, and the new employees will be different and require different training than those being replaced. Management's challenge will be to:

- capture the operational knowledge of retirees ("knowledge management");
- modify the training of the replacement workforce for the new (higher-tech) utility;
- implement true leadership succession planning;
- improve the retention of desired workers; and
- partner with local community colleges and other learning institutions to improve the preparedness of the new worker pool.



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Historical & Projected Average Age of the Civilian Labor Force
(Bureau of Labor Statistics Chart)



What is succession planning?

Succession planning is the process of ensuring that the right people, appropriately trained, are in the right place at the right time to accomplish the utility's mission and objectives. Succession planning is a systematic process for identifying and addressing the gaps between people and organizations of today and the personnel needs of the future. As defined by the American Water Works Association Research Foundation/Water Environment Research Foundation project, succession planning encompasses the cycle of recruitment, training, retention, leadership training and planning, and knowledge management.

Four generations in today's workforce are at the core of the need for succession planning. In the book *When Generations Collide*, Lynne Lancaster and David Stillman describe these generations as:

- Traditionalists—the 75 million people born between 1900 and 1945.
- Baby boomers—the 80 million people born between 1946 and 1964.
- Generation Xers—the 46 million people born between 1965 and 1980.
- Millennials—the 76 million people born between 1981 and 1999.

The differences in size between these generations, as well as the significant cultural differences, have numerous implications for utility managers. The most important initial implication is that, because so many senior executives, managers, and supervisors are either traditionalists or baby boomers, there will be a large wave of retirements from these levels. Many utilities staffed up in the late 1960s and early 1970s and will now see these employees retire in the next five to 10 years.

There are some upsides to this phenomenon:

- Utilities that are changing workforce configurations and seeking appropriate staffing levels can make the retirement wave work for them.

- Bringing in new people will open the door to new ways of doing things, making change easier to accomplish.
- Utilities are becoming more automated and need a different mix of skills that may be easier to achieve through hiring than through training.

However, there are some potential downsides:

- A high percentage of undocumented knowledge is involved in running a utility. When people retire, much of the important or critical operational knowledge goes with them.
- The hiring pool available to utilities to replace these retirees is thin. There are 34 million fewer gen Xers than baby boomers. There is an increasingly wide disparity between demand and supply in the technical sector. As the demand for engineers is growing rapidly, our universities are graduating fewer engineers every year.
- There are significant differences between the retiring generations and the generations in the labor pool from which their replacements will come. Utilities that reflect traditionalist values may have a difficult time appealing to the more diverse millennials looking for a collaborative workplace that values training and interaction.

Elaborating on the last point (and with apologies for dealing with a complex matter in only a

The statistical analysis from the AwwaRF/WERF succession planning survey yielded several interesting results.

- Of the utilities surveyed, 38 percent were characterized as water only; 11 percent were wastewater only; and 50 percent were combined water and wastewater
- Weighted average percentage of employees currently eligible to retire: 9 percent
- Weighted average percentage of employees eligible to retire in five years: 22 percent
- Weighted average percentage of employees eligible to retire in ten years: 34 percent
- Average employee age: 44.08 years
- Average years of service: 12.20 years
- Average years until eligible to retire: 12.35 years
- Average attrition rate for last three years: 6 percent
- Projected average attrition for the next three years: 8 percent
- Utilities that are not prepared to replace essential staff who are close to retirement: 11 percent
- Utilities with practices that require mandatory training: 60 percent
- Utilities that indicated that they have a difficult time replacing employees: 44 percent



few sentences), one way to view the generational differences is in how they react to “command”:

- Traditionalists learned at an early age that if they put aside individual needs and worked together toward a common goal, they could do great things, such as winning world wars or putting a man on the moon. They believe in chain of command.
- Baby boomers entered a rapidly expanding economy, but they were in a large crowd. In everything they did they were competing with 80 million peers—they needed to be competitive. In order to succeed, they needed to change things.
- Millennials were raised to have a voice in family affairs and went to schools that stressed working in teams.

The simple idea, then (as Lancaster and Stillman detail in *When Generations Collide*) is:

- Traditionalist—chain of command.
- Gen Xer—change of command.
- Millennial—don’t command, collaborate.

However, transforming the organization to appeal to millennials (or gen Xers) is not necessarily the right response to all of this. Remember the earlier statistic on the decline in U.S.-born workers? If that’s the case, where are the new workers coming from? The growth in the workforce is coming from immigrants and those over age 55 reentering the work force. It’s important to analyze your utility’s available workforce before making major decisions that affect the workplace. In the more automated, information-driven, and leanly-staffed utility of the future, strategic workforce management will become essential to the development of a high performance organization.

Steps in Succession Planning

There are four important steps involved with succession planning:

1. Assess the current workforce.
2. Analyze the future workforce.

3. Identify required transitions and existing gaps.
4. Develop strategies to fill the gaps and make the transition to a high performing organization.

Assessing the current workforce begins with information from your human resources department. Looking back, evaluate your experience to identify the sources of attrition (workers leaving your organization for various reasons). Then, project the statistics (age and status under retirement rules) of your existing workforce. The combination of attrition and projected retirements will give you an idea of possible personnel replacement needs. While there are likely to be some employees that stay beyond their retirement date, the odds are that many will not.

Analyzing the future workforce involves taking a look at the organization and specific positions within the organization. Are all of the existing positions needed? Will new skills be required as a result of automation or changing utility functions? What is the right number and type of employees needed? Finally, what is the makeup of the existing available labor pool? Utilities with stringent residency requirements (i.e., ones that can only offer positions to existing residents) may need to get involved in educating their labor pool. Given the likely makeup of the available labor pool, how can the utility position itself to hire from the top of the pool rather than the bottom?

Comparison of the existing and future workforce needs to be done within the context of the utility’s strategic plan to identify gaps and necessary transitions. Once these have been identified, strategies must be developed to address those needs, including:

- restructuring the organization;
- implementing knowledge management to bridge gaps from attrition and retirement;
- training for new staff and retraining existing staff;
- recruiting strategies;
- assessing competency;



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- creating strategies to make sure that the utility keeps desired personnel;
- developing leadership;
- planning succession;
- enhancing technology; and
- partnering and public-private initiatives.

Performance measures need to be developed and monitored to determine the success of these strategies as they are implemented.

Effective succession planning will:

- identify future workforce needs;
- allow the utility to compete effectively in the labor market;
- identify training, recruiting, and restructuring needs;
- bridge knowledge gaps due to attrition and retirement;
- develop future leaders for the organization; and
- improve managerial effectiveness.

When the final report is submitted and published, it will discuss the four components of succession planning: workforce planning, knowledge management, training, and leadership succession.

What about small utilities?

Small utilities face problems that many larger utilities do not face as frequently due to their

levels of funding and the size of their applicant pools. Many small utility personnel already find their time constrained just keeping their systems running, let alone staying up to date on all of the issues and technologies relevant to their positions. The knowledge capture process is especially promising for small utilities where employees have developed intimate knowledge of their system's operations without documenting the details that make all of the difference in system performance.

Small utilities were under-represented in the first AwwaRF/WERF survey. The authors are conducting a separate statistical survey. If you are interested in participating or have questions, please contact Jason Jennings jenningsjd@bv.com. The survey may also be completed online at <https://secure.bv.com/awwarf>. The results of the survey will be provided to respondents and to On Tap for future publication. 💧



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