

Talent Management

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Managing Talent in the Face of Workforce Retirement

UNTIL RECENTLY, IT HAS BEEN EASY TO DISMISS TALENT SHORTAGES MERELY AS CYCLICAL TRENDS

The results of Knowledge Infusion's recent 2010 Talent Readiness survey, however, show many organizations operating in the United States acknowledge a bona fide problem that will impair their business performance over an indefinite period — a shortage of talent in their workforce, caused by baby boomer retirements, is a threat to shareholder value.

ABOUT THE 2010 TALENT READINESS SURVEY

Knowledge Infusion's 2010 Talent Readiness survey was a Web-based questionnaire that garnered responses from 373 HR professionals, learning and development professionals, senior executives and line of business (LOB) managers/directors working at organizations of all sizes and across industry sectors in the United States. The objectives of the sur-

vey were to provide an analysis of the anticipated business impact of changing workforce demographics, to document whether and how other organizations are addressing it and to provide suggestions to readers responsible for managing shrinking pools of talent at their organizations.

ACKNOWLEDGING THE ELEPHANT IN THE BOOM

Some of today's headlines downplay the impact the retirement of baby boomers will have on the output of organizations operating in the United States. After all, people are living longer, and many often wish to remain active well into their senior years. For those who neglected to save enough money remaining in the workforce longer than expected will be a necessity.

Figure 1: Percentage of Workforce Eligible and Likely to Retire

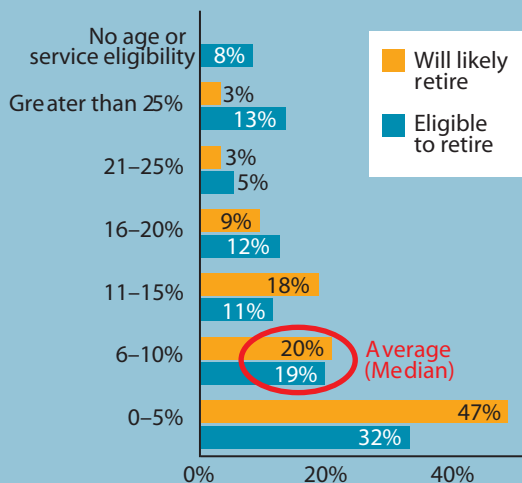
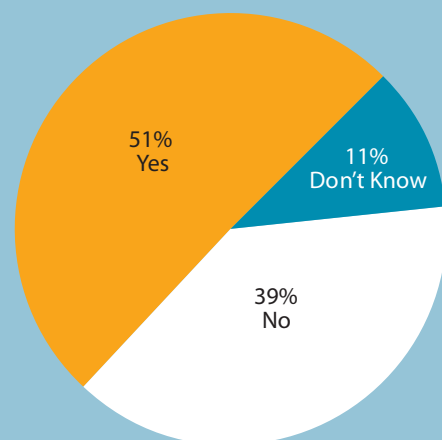


Figure 2: Will Retirements Cause a Knowledge/Skills Gap?



Despite these forces, Figure 1 shows the respondents' overall impression is that most of the people in their organizations who will be eligible to retire over the next four years will opt for the gold watch. The survey revealed between 6 percent and 10 percent of the workforce likely will retire by 2010. This is a trend that will put considerable pressure on organizations well into the future. The U.S. Department of Labor expects the average annual growth rate of the 55-and-older group in the workforce to be 4.1 percent through 2014, which is four times the rate of growth expected in the labor force overall. 2010 Talent Readiness survey respondents indicated the structural change to the labor force will most profoundly affect large enterprises (those with more than 10,000 employees).

WIDESPREAD TALENT SHORTAGE

Figure 2 shows roughly half the sample population anticipates skills and knowledge gaps over the next four years because of seasoned workers' departure. The sectors expecting to be hardest hit include health care, government, manufacturing and financial services. In addition, the upcoming talent crunch is expected to be most severe at larger organizations — not only will these organizations lose a significant percentage of their workforces, but they also will have the most positions to fill in terms of raw head count.

Based on responses to the survey, these gaps will persist across job functions necessary to compete in a knowledge-based, industrialized economy such as sales and customer service, IT, finance, marketing, and research and development. Respondents also indicated skills and knowledge gaps will be widespread hierarchically from individual contributors to senior management, with the most acute demand shortfall among qualified middle managers.

A significant portion of survey respondents acknowledged the gap left by retiring baby boomers will directly inhibit enterprise performance along several dimensions — reduced productivity, lower quality, higher labor-related expenses — all of which hinder market competitiveness and threaten shareholder value (see Figure 3). These responses demonstrate why changing workforce demographics present far more than a discrete HR issue. To manage these risks, organizations can take two courses of action: innovate process changes to become less dependent on people, or, more realistically, to find ways to better manage talent.

Who will backfill all the positions retirees leave open? Outsourcing was not cited as a likely wholesale solution to the problem because the scope of the shortages will affect organizations' core competencies. On a related note, most responding organizations have no plans to fill the gap by moving some of their own operations overseas. And not all retirees will contract back to their former employee.

With a shrinking talent pool, attracting top candidates will be difficult and expensive. Some companies are beginning to face the reality that they must develop their existing employees to address the skills and knowledge gaps in addition to recruiting from the outside.

ORGANIZATIONAL READINESS

Despite half the surveyed organizations acknowledging the growing talent shortage as a real business problem, few are taking action to formally assess or counteract it. Most organizations solely rely on informal lines of communication to gauge how their workforces should be managed. As a result, programs and systems for assessing the tal-

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**Figure 3:
The Effects of the Knowledge/Skills Gaps**

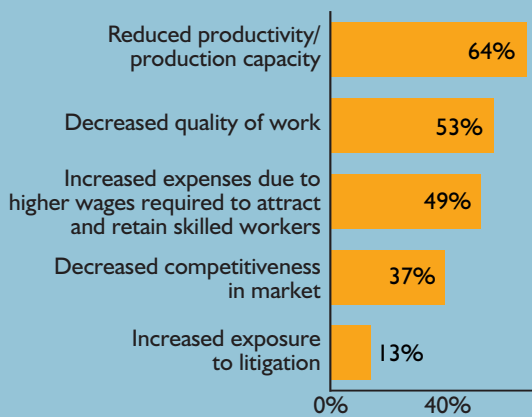


Figure 4: Effectiveness of Processes to Address the Knowledge/Skills Gaps

1. Mentoring of younger workers by older workers
2. Automate processes that people have traditionally executed
3. Formalized succession planning
4. More aggressive recruiting efforts
5. Streamline training and development
6. Knowledge transfer goals for older workers
7. Formal training programs conducted by older workers
8. Outsourcing functions to other companies
9. Interviews with retiring workers
10. Expand operations globally



Dashboard, continued from page 45

ent shortage appear to be ad hoc, insufficient and inconsistent from one company to the next. For instance, a significant number of respondents who indicated retirements will cause a skills gap did not know which functional areas (e.g. marketing, finance, IT) would be most affected.

Survey respondents said mentoring is the most successful practice for addressing the talent gap the baby boomer retirements will leave. Only a slight majority of responding organizations that acknowledge a talent gap have such programs, however. And the majority reported having no formal programs to retain retirement-eligible workers on a full- or part-time basis so they are available to mentor.

Mentoring programs are separate from more formalized training programs run by older workers. The former have a much higher success rate among respondents because they give younger workers a chance to interact with experts on the job rather than sit through one-size-fits-all courses.

Similarly, a little more than half of respondents use technology to automate processes and increase efficiency. Many report success with this strategy.

Formalized succession planning and aggressive recruiting efforts are cited as effective means to address the talent shortage. Most respondents who acknowledge the talent shortage report their organizations are not undertaking such efforts, however.

TECHNOLOGY READINESS

Traditionally, complex manual processes loosely supported by disconnected technology solutions have hampered HR's goal to manage employees. Technology is a foundational element to create an environment in which employee information is managed systematically and holistically.

This information need not be limited to name, title and social security number — it can include information about education, languages spoken, professional accomplishments and geographic preferences, as well as career goals. Employers also can use software to communicate employee goals and expectations so they can align their own performance objectives and career development plans.

Can software solutions help stem the tide of the talent crunch? According to many survey participants, there are several systems that play a direct role (see Figure 4). Talent management software is an emerging technology organizations use to realize these benefits. This type of software was designed to help manage the supply and demand of workforce talent (e.g. skills, knowledge, abilities, etc.) to achieve optimal business performance in direct alignment with organizational goals. The individual software application components of a talent management suite map to workforce management processes throughout the entire employee life cycle. As such, vendors increasingly are offering these components as integrated suites.

**Figure 5:
Technologies to Address the Knowledge/Skills Gaps**



Among survey respondents, succession planning systems ranked highest in importance, with 46 percent rating them as critical to managing retirements and mitigating the resulting skill and knowledge gaps (see Figure 5). Many respondents, however, likely associate the term “succession planning” with several of the other business application categories such as recruiting, competency management, performance management and learning management solutions — all of which ranked important in their own right.

Many organizations have one or more of these talent management applications, but others do not. Respondents from both the private and public sectors indicated they will play a larger role in the near term, and many survey respondents plan to adopt these systems over the next year.

Given the magnitude of the changing workforce demographics in the knowledge-based economy, talent increasingly is becoming a competitive differentiator for some organizations and a liability for others. To prepare for the future, business leaders must think about talent management in a more systematic way. They should integrate talent planning into their business planning. This will include tying business goals to critical skills and job roles, identifying the people who have or should have the skills to perform these roles and making sure they are available and prepared to deliver shareholder value.

This emphasis on personal fulfillment should not be overlooked. After all, talent is fast becoming a sellers' market. **TM**

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