

Dynamic succession planning: Overcoming the baby boomer retirement crisis

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ABSTRACT

Both public and private organisations are suffering from the significant number of 'baby boomers' retiring from the workforce. In terms of the pure numbers of individuals needed to fill the vacancies created by these impending retirements, the shortfall of workers in the USA is in the region of 9.6 million. Similar issues are being suffered in most nations that were involved in the Second World War. In 2007, a parallel survey of public works professionals in both the USA and Australia was conducted to identify trends, issues and possible solutions to the crisis. This paper will explore those

findings and other information related to the challenge, such as the magnitude of the problem, the necessary drivers for change, and how organisations can prevail in the battle to attract talent.

Keywords: succession, planning, leadership, public works, Australia

INTRODUCTION

Just this past autumn, the first baby boomer filed for social security — a sign of the times ahead. The boomers, born 1945–64, currently fill a majority of leadership positions in public works agencies throughout the western world; private firms serving the industry have similar trends. Organisations are already struggling with how to fill the void left behind by those riding into the sunset, but the organisations that strategically plan for the succession to the next generation of leaders will win the battle for talent and create enhanced productivity over the next two decades.

In the generations that follow the baby boomers, traditionally known as generations X and Y, there are quite simply fewer people — regardless of profession. Research into the work being done to overcome the problem suggests that a few organisations are stepping up to the challenge, but that most organisations are doing only portions of the work necessary.



In professions that require technical professionals with college degrees, such as engineering, healthcare and education, the magnitude of the impact is even greater. This is because the percentage of university students entering these professions is now lower than compared with previous generations.

The following pages will explore the perceptions related to the issue, some methodologies for overcoming the problem, and will examine some case studies of those doing well to overcome the problem. The paper focuses primarily on the USA and Australia as they have similar economic and demographic systems. The research for the paper is based on work completed in the summer and autumn of 2007 as part of the Eisenhower Institute and American Public Works Association's Randolph Jennings Fellowship Program, the goal of which is to fund international educational and intellectual innovation sharing and exchange.¹

THE PROBLEM: CONTRIBUTING FACTORS

A number of factors are contributing to the issues that the industry is facing. For example:

- In the USA, the gap between the number of baby boomers and generation X is 9.7 million workers, regardless of industry. Although the Australian population is much smaller than the US population (21 million vs 300 million, respectively) the percentage gap in both nations is similar.²
- Recent research by the FMI Corporation shows that few organisations in either the USA or Australia invest in developmental programmes for young professionals, often leaving development of both technical and 'soft' skills to chance and hope.³
- As a percentage of all university

students, fewer young people are entering the engineering professions than at any time in recent history.

- According to research by the US Department of Education, both Australia and the USA down-scaled investment in technical and community college and university programmes in the 1980s, leaving fewer avenues to develop young talent.⁴
- Some organisations have chosen the route of poaching from other organisations to fill needs rather than developing their own talent.⁵

In a 2007 survey conducted by FMI Corporation for the Engineering and Construction Contracting Association, over 27 per cent of the firms stated that more than 40 per cent of their management team would need to be replaced due to retirement and turnover by 2012. Another 23 per cent fell in the 20–39 per cent category of necessary replacement in the same five years.⁶ The utility industry suffers similarly — in a recent report from the Power & Energy Society, over 65 per cent of all current utility workers are over 46 years of age.⁷

The resultant impact is widespread; the survey data show that although many organisations have identified the issue, only a limited number have moved to make it a critical core competency. For example, many organisations are working with vacant leadership and lower-level positions because there is a shortage of qualified individuals and intense competition from other sectors, notably mining in Australia. When asked to identify whether they have a succession planning effort in their organisation, most reveal little effort has been paid to the issue. As a further example, a 2005 study of Colorado municipal executives indicated that two-thirds of Colorado communities were handling succession planning at the poor or fair level.⁸

But how important is the issue? In Australia all the major engineering associations and societies have banded together to form a National Skills Shortage Project, creating a countrywide project review in February 2007. This project identified the background, obstacles and initiatives necessary to be developed to deal with challenge.⁹

In the USA, members of the Construction Personnel Executive Group, made up of 40 \$1bn-plus construction firms, recently stated in *Engineering News-Record*, that the issue is the 'front-and-center topic for every firm in the business now'.¹⁰

SURVEY ANALYSIS

As part of the study effort for the Jennings Fellowship programme, a parallel survey under the flag of the Institute of Public Works Engineering Australia and the American Public Works Association was launched in 2007 on the topic of succession planning. The survey was completed by over 451 professionals in North America, covering 75 per cent of the US states and 40 per cent of the Canadian provinces.¹¹

In the USA, the vast majority of the respondents worked at the local government level (78 per cent); their jurisdictions varied from communities with under 3,000 members to those over 1,000,000 in size. Over 50 per cent of the respondents titled themselves as public works director, while senior managers and city engineers made up the second largest grouping at 23 per cent. Of the 451 respondents, 60 per cent identified themselves as within ten years of retirement.

In the Australian survey, 114 professionals submitted data, with all Australian states being represented. Sixty-one per cent of all respondents classified themselves as city, 30 per cent country, and 9 per cent remote, while most respondents (97 per cent) served jurisdictions of less than 250,000 in size. The vast majority served as the director or senior manager in their

organisation (83 per cent). Of the 114 respondents, 46 per cent characterised themselves as within ten years of retirement.

KEY DATA

The surveys sought to first identify the magnitude of the problem, and then explore how organisations view the issue and are seeking to cope with the impacts. Selected questions from the survey are explored below.

Level of succession planning

Respondents were asked, 'Based on your current team and organisational leadership potential how would you rate your organisation's level of succession planning for key positions at the manager level and above?' Their answers highlighted a few differences that became apparent between the countries, but also a few key themes:

- In both the USA and Australia, less than 7 per cent of all agencies believe they are doing an excellent job developing successful future leaders in their organisations.
- Over 52 per cent of agencies identify themselves as having more than 50 per cent of their senior managers due to retire in the next decade.
- Less than 17 per cent identify this looming crisis as a critical concern for their organisation.
- The majority of organisations (79 per cent Australia, 72 per cent USA) state that their middle managers are beyond the 10-year window.

Aspects of organisations' succession planning efforts

When respondents were asked to identify the components of building successful succession plans, it became clear that about half of all organisations are in the 'poor' to 'fair' category, and that on average, less

than 10 per cent believe they are doing an excellent job. One area that clearly stands out as an opportunity for improvement is 'recycling' the baby boomers back into the workforce — in the USA, 70 per cent rank themselves as weak in this area, while in Australia that number swelled to 80 per cent. Results for this question are shown in Table 1.

Organisational strengths

As one often sees change handed down from 'on high' with only tacit support for resources and energy to facilitate that change, one major component of successful organisational change is senior leadership's commitment to playing a role in that change. Would the survey results bear this out in the case of success planning? Most fared well at the most basic level (have you clearly defined a set of critical competencies for each senior level position?), but commitment beyond this level declined precipitously.

As shown in Table 2, Australian public works professionals seem to have a better handle on most basic development planning tools — at least acknowledging the components were in place. When it came to actually developing a succession plan,

however, in both cases the vast majority had at best done nothing.

Perception

Survey respondents were asked to identify the issues they believe are responsible for the lack of effort in development and succession planning. The question was structured to allow response in both numerical question and text format. The free-form responses revealed a few interesting facets of the industry's self-perception of what is driving this issue and the obstacles to overcoming it. Some perceptions included:

- public agencies do not pay enough to attract and retain qualified talent;
- it is cheaper to 'poach' employees from other organisations than invest to grow your own;
- young people do not want the 'battles' that go with the politics in top leadership positions;
- the young engineers of today are not as qualified as those of 30 years ago;
- people view succession planning as 'anointing' a future leader for a job, when in fact it is about developing those with the talent and potential to succeed in a future role by helping

Table 1: Commitment to components of succession planning — United States and Australia

	USA				Australia			
	Poor	Fair	Good	Excellent	Poor	Fair	Good	Excellent
Finding and hiring competent talent (%)	11	35	44	10	19	39	39	3
Retaining and developing team members (%)	9	33	43	6	8	49	41	3
Transferring knowledge from experienced staff to developing staff (%)	14	37	43	6	13	53	32	3
Utilising retirees in a part-time or project oriented role (%)	40	30	23	7	46	34	17	4

Table 2: Assessment of senior level succession planning steps — United States and Australia

	Non-existent	On the table, nothing done	In place	In place and successful	Committed core competency
<i>US results</i>					
Each senior level position has a clearly defined set of critical competencies (%)	15	19	37	23	5
Each senior level position and assistant level has completed an assessment of developmental needs (%)	37	25	26	11	2
Each senior level position has a defined personal development plan (%)	42	23	26	8	1
Senior level managers are required to mentor/coach developing managers/leaders (%)	35	28	24	11	2
Each department/executive level position has defined succession plan (%)	51	30	14	4	1
<i>Australian results</i>					
Each senior level position has a clearly defined set of critical competencies (%)	6	12	46	32	4
Each senior level position and assistant level has completed an assessment of developmental needs (%)	12	32	40	14	2
Each senior level position has a defined personal development plan (%)	28	28	27	16	0
Senior level managers are required to mentor/coach developing managers/leaders (%)	26	34	27	12	2
Each department/executive level position has defined succession plan (%)	60	29	8	3	0

them develop the necessary skills that are required for a higher position.

These statements were common themes. Table 3 shows the how responses were ranked when answering the question, 'Please rank the obstacles to developing quality succession plans in your organisation?'

Diving into the data and the perceptions it is clear that the primary issue is that most individuals and organisations perceive that there is bigger game to hunt each day than worry about who will succeed the organisation's leader when they depart.

This *laissez-faire* attitude will come back to haunt organisations as their leaders depart and no one is prepared to take the reigns, or if those who do take the reigns have not been adequately mentored for success. Customers do not care if the leadership has changed in a public works department — they care about having their trash collected, that the streets ride smoothly, and that when disaster strikes the organisation stands tall and leads their community through. The day after someone announces their retirement is not the time to begin succession planning efforts.

Table 3: Ranking of reasons for lack of succession planning – United States and Australia

Factor	US rank	Australian rank	Average rank
Lack of money	2	4	3
Lack of political support	5	3	4
Hiring process/human resources restrictions	6	6	6
Organisation not committed to planning for future staffing	3	2	2
Bigger priorities	1	1	1

Trends identified

In a summary review of the data, a few critical lessons leap forward regarding the standing of succession planning in the public works and infrastructure management industries. First, a limited number of organisations are prepared for the future, and far fewer are actively pursuing efforts to address the problem. Secondly, industry leaders view higher priorities and the lack of time as the primary issues in not effectively developing the future of their organisation.

THE PATH FORWARD

When it comes to succession planning, what key lessons learned emerged to assist organisations in moving forward? Described below are four key steps to plan strategically for the future.

Finding and hiring top talent¹²

Most organisations both public and private treat finding qualified candidates as an afterthought at best. The best organisations seek to understand the market and position themselves so that they are an employer of choice, to whom candidates are waiting for an opportunity to apply. For example, a recent survey showed greater than 90 per cent of all generation X and generation Y candidates start and complete their entire job search online, yet many public organisations still invest most of their resources in print ads.

It is worth sitting down with the human

resources staff to develop a strategic plan for seeking out candidates. It is vital to be proactive, as it is a buyers’ market for high-performing employees — a situation that is unlikely to improve. Survey recent recruits and ask them questions like ‘how did you hear about us?’, ‘how would your friends look for a job?’ and ‘why did you choose to join our organisation?’

Case example: Northern Colorado government work group on engineering interns

In 2003, local government agencies in northern Colorado were struggling to identify and attract top engineering talent to public sector opportunities, even though one of Colorado’s two premier engineering and construction management programmes was resident in the area (Colorado State University). In an effort to bridge the gap between local educational students and nearby public sector employers, seven local government agencies and the state department of transportation local region banded together to create a mechanism to attract and employ top engineering student talent. In working with university personnel, the group established an annual process to provide a single-day interviewing opportunity for students, with the guarantee of internships with local agencies, both during school breaks and throughout the school year.

To avoid inter-agency competition on

the basis of salary, the agencies have all agreed to a standard wage structure. The agencies also provide working intern experiences and clear project opportunities that allow students to meet 'senior project' requirements. Several agencies also provide specialised learning workshops that focus on workplace skills that are limited in university engineering programmes, such as negotiation skills, personnel management, leadership across generations, and real-time field decision making.¹³

Retaining and developing high performers.

Most high performers leave organisations not over salary or work conditions, but because no one ever took the time to talk with them about their future in the organisation. This issue will become more acute with generations X and Y. These generations grew up watching their parents and relatives be laid off after years of service, their loyalty rewarded with a pink slip; this scepticism frames their view of the workplace. From day one, it is essential to talk with employees about planning for development, and to write it down and commit to it. Today's young developing professionals want a learning environment — when they stop learning, they start looking.

'The millennials' — the alternative name for Generation Y — are beginning to hit the workforce in droves. Successful organisations are seeking and searching for this new talent, yet most senior managers are not prepared to bridge the generational gap that extends between boomers and millennials. More astute organisations are actively seeking training and development for senior managers on generational management issues. The ones that will win the war for talent will need to ebb and flow with the changes in workforce culture; those that do not will fall behind and be constantly running to catch up.

Develop a transformational culture in

the organisation. A recent Australian survey identified that generation X bosses are widely preferred to baby boomer bosses — why? Generation X bosses have embraced a culture that balances work and life, rewards excellence frequently and publicly, and gives individuals the opportunity to excel and grow, creating a living and learning organisation.¹⁴

Case example: Graduate engineering programme — Pine Rivers Shire, Queensland

Pine Rivers Shire, a city of over 200,000 in southern Queensland, Australia identified the need to build competency in its civil engineering ranks but struggled to find and retain top talent. In 2005 the city created a graduate engineering programme, in which recent engineering graduates are hired to a two-year contract and serve on a six-month rotational basis across divisions to gain experience. The goal is to provide opportunities and learning to qualify for professional engineering certification, as well as work 'shoulder-to-shoulder' with senior engineers in the profession.

The programme developed a national advertising campaign and partnered with Australian universities to attract top talent. The programme features partnered rotational learning opportunities for recent graduates and provides the city much-needed talent. Since its inception in 2004, 75 per cent of professionals entering the programme have been hired permanently within the shire, with the balance staying in public sector employment in other jurisdictions.¹⁵

Knowledge transfer

When employees retire, years of institutional knowledge tends to walk out the door with them. Each organisation needs to develop programmes to capture and document this knowledge. This can be done in many ways, such as shoulder-to-

shoulder project work, and a systematic documentation of knowledge on certain sections of town. The time an organisation spends capturing that knowledge will be rewarded back several-fold when an issue arises in the future.

The aforementioned engineering development programme in Pine Rivers Shire, for example, provides a multi-year rotational programme for engineers to develop skills, work shoulder-to-shoulder with older peers, and simultaneously bring new ideas and talent to the organisation.

Case example: DAVID Construction, Inc. project engineering programme — Louisville, Kentucky

Beginning in 2005, DAVID Construction, a general contractor in Louisville, was struggling with finding and hiring qualified project engineers and managers to lead the company's growing workload. This issue coupled with an impending wave of retirements was forcing the company to consider taking on less work. DAVID began a project engineering programme targeted at attracting young talent and pairing such recruits with experienced senior project managers to transfer knowledge and talent quickly.

First, the company actively sought contacts with universities with graduating engineers throughout the southeastern USA. Prior to actually hiring, the company developed a plan for identifying the talents of new team members, then working toward a full 'tool box' of skills and knowledge over a five-year period. The framework of the skills tool box was built around identification of key skills and knowledge in their long-term project management staff. The role of senior staff also changed in that a portion of their work time was now identified as mentoring and knowledge transfer time. The team also developed bi-monthly sessions that focused exclusively on skills development and experience sharing.

This example has parallels with many organisations in that DAVID has a total professional staff of less than 30, like many small companies and agencies.¹⁶

Recycling the baby boomers

Baby boomers love to work — it is a trademark of the generation. Frankly, many retire and get bored. As such, they are looking for opportunities to contribute and engage, to continuing growing and participating. Innovative organisations are 'recycling' boomers back into the workforce on a part-time or project basis. Most government organisations are better set up to handle part-timers — they have done it for years with seasonals and others. Find a good match, pay them a decent wage, and require them to spend 10 per cent of their time mentoring young professionals.

Case example: Public Works Department — City of Loveland, Colorado

Organisations like Loveland, Colorado currently have 15 per cent of their workforce as post-retirees. Recycling is a key practice in spanning the workforce gap and developing the team. The role of retired boomers strikes across all facets of the organisation, from front-line transit drivers to seasoned engineers. The organisation has actively sought to build a network of professionals in the region that may be interested and have the skills necessary to work for the department on a project or part-time basis.

First, the department began identifying opportunities in the workload that would lend themselves to part-time work or short-term contract work based on key project needs. Initially there was resistance to this change by human resources personnel, but after working in tandem, the department developed a series of job descriptions that could be applied when a part-time hire was needed. Staff then began a concerted effort to spread the

word in the region through professional organisations, which often have contacts with retired peers, as well in community presentations on general public works topics. The aim was to build a database of potential workers. Staff then began supplementing current staffing with a variety of retired personnel, including project engineers, administrative professionals, and trainers for organisational needs.¹⁷

Case example: Institute of Public Works Engineering Australia — Queensland

In an effort to assist member communities with the 'brain drain' occurring among professional public works engineers, the Queensland Division of the Institute of Public Works Engineering Australia began a statewide effort at building a database of retired engineers. The association's goal was to create a clearinghouse for member communities to utilise in supplementing local needs with retired professionals. The association reviews the skills of each potential staffer, but then only plays the role of introductions when a community identifies a need; leaving the partnership decision up to the organisation and the professional.

In the first year the programme was in place in 2007, the association identified over 50 potential professionals and brokered a number of potential matches.¹⁸

CONCLUSION

The collision between demographic changes and business needs is just beginning to emerge in most organisations. Critical organisations are seeking to develop strategic plans to build and expand human capital resources in the next decade. Those that fail to plan will likely fail in business or at least under-perform their potential. In the public works and infrastructure arenas, projects are planned, designed and built from the ground up every day; resources are assessed, project demands scheduled, and clear and attainable mile-

stones established. Each individual and organisation must seek to apply these same business principles to the soft side — the development of people and infrastructure to support building organisational capacity. The current 'maturity' of the organisation's workforce must be assessed to identify the gaps, so that plans can be made to overcome the inevitable departure of mature personnel. Senior leaders should be encouraged to understand that a diminishing organisation after their departure is not a legacy worth leaving; their stamp should be the people and capacity of the organisation to achieve success.

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