Lost Knowledge: Confronting the Threat of an Aging (& Changing) Workforce

by Dr. David DeLong

Agenda

• Your perspective on the Farm Credit workforce?
• 3 macro forces driving workforce change
• 5 Essential Strategies to Develop Tomorrow’s Workforce
• What Will You Do Differently?
Characteristics of Participants

- Varied roles: finance, appraisers, loan officers, risk mgrs, marketing, IT, HR, operations execs…
- Mostly associations, some funding banks
- Large vs. smaller associations…
- Rural/more urban locations -- impacts recruiting & retention
- Serve different types of customers
- Some over chartered, competition varies

Your Perspective on Knowledge Retention/Changing Workforce?

- Special functions/roles within association?
- Your overall association?
- Farm Credit System?
- Your customers?
Value Ladder - Your Objectives?

Create smart & agile workforce that adapts

Make better decisions about AI & Future WF

Tools to improve Recruiting & Retention

Talent Management “Lifecycle”

Leadership Development

Knowledge Retention

Recruiting

Retention of HiPos

Hiring

Performance Management

Onboarding

Employee Development
The “Big Picture”

- Changing Demographics
- Different Values
- Rapidly Evolving AI Technologies

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Change in U.S. Workforce Participation by Age: Projected 2012-22

In the United States, the percentage of workers 55+ is expected to increase by 29% between 2012 and 2022, whereas the percentage of workers ages 25-54 will grow by only 2 percent. The forecasted percentage of growth for workers age 65+ is much higher (74%) than for any other age category.

Side Effects of Changing Demographics on Workforce

- Tightest job market since 1969
- Boomers working longer, complicates succession, knowledge transfer
- 1 in 6 men age 25-54 not in workforce

You Know Millennials Are Different...But Did You Know:

- They are now the largest generation in workforce
- M’s are no longer the youngest gen; hello Gen-Zs! (1997-)
- Oldest M’s will be 39 next year!!
- M’s earn 20% less than their parents did
- Almost 90% of M’s live in metro areas (vs 68% boomers)
Technology Advances: Implications for Education & Talent Pool

• Drone technologies, remote monitoring systems, geo-positioning systems, AI, fintech, online lenders

• A race between education & technology to keep worker skills economically viable

• 1. How do we anticipate skills needed for new jobs & evolving roles?

• 2. Are technology advances realistic solutions for skill shortages in our business? Our clients?

Source: "Race Against the Machine," Brynjolfsson & McAfee, 2011

Industries Struggling to Develop & Retain Qualified Workers

Different Sectors
- Health care
- Accounting
- Commercial banking
- Aerospace
- Manufacturing – all verticals!
- Supply chain
- State & local government

Related Industries
- Agriculture
- Water utilities
- Construction
- Trucking
- Electric utilities
- Funeral industry
- Religious workers
Costs of Skill Shortages/Knowledge Loss

- Growth & services limited by lack of skilled employees, *eg. veteran loan officers leave*
- Extra time & resources spent recruiting, *e.g. 67 employees hired last year, only 23 stayed*
- Remaining employees burn out, *e.g. working extra hours*
- Small businesses fail without succession planning
- More costly errors & quality upsets

Exercise: Clarifying Your Capabilities at Risk

- Identify two people in your organization you’re most worried about losing because of their special skills or knowledge.

  - *How would their departure impact your organization’s performance? Be specific!*

- Share your example with others. Notice similarities & differences between your talent risks.
Albert Einstein Said:

“The problems that exist in the world today cannot be solved by the level of thinking that created them.”

Framework for Building Tomorrow’s Workforce

1. Diagnose Risks
2. UC About AI
3. Recruiting Tactics
4. Retention Focus
5. Upskilling
Strategy #1:

Diagnose **Specific Capabilities** at Risk

Knowledge Silo Matrix

Silos are areas of expertise such as:
- Tools
- Platforms
- Products
- Customers
- Processes
- Regulations
- History
- Physical Locs.
- Job Functions
KSM Allows Management to Ask:

- Demographic profile of all employees at mentor level
- Skilled people needed in each silo in 2-5 years vs. current capabilities?
- Cost of training in silo X over time vs. in time crunch?
- Frank discussion of unacceptable risks of turnover & retirements
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Strategy #2:

Assess Opportunities (& Risks) for New Technologies
Your AI IQ: Predicting Your Future!

-29 points (texts with one finger while driving!)
2-12 points: A Luddite, early retirement?
15-25 points: Probably a Millennial, keep learning, don’t get too cocky!
25+ points: Ask for a raise!

AI Quiz Takeaways - Action Steps?

- Don’t spend time & $ on undefined technologies!!
- Check out Sloan Mgt Review “Future of Work” newsletter. And SkyNet
- Question beliefs about technology impacts underlying growth strategies! Keep checking your assumptions!
Adaptive Problems: Tech Change, Recruiting & Retention – Intractable Challenges

“Every complex problem has an answer that is clear, simple & WRONG!!”
-- H.L. Mencken

Strategy #3:
Relentlessly Experiment:
New Recruiting Tactics

• Sourcing
• Engaging
• Evaluating Candidates
Recruiting Tactics: **Sourcing**

- Maximize candidate referrals from current staff
  - *Bigger bonuses to emps who attract recruits*
- Make job design as attractive as possible, *e.g.*
  - flexible: *experienced credit reviewer 60-100%*, virtual: *chief appraiser 5 hrs away*
- Fish in alternate talent pools, *e.g.* *developmentally challenged (Walgreen’s, PwC)*

Recruiting Tactics: **Engaging Candidates**

- *Check photos on your home page!*

  Don’t limit photos of younger employees to “careers” page!
Recruiting Tactics: **Engaging**

- Use your Millennials to recruit Millennials
  - “Young professionals” at career fairs, mentoring
- Adapt benefits to maximize competitive advantage
  - Move to PTO; use deferred comp to retain HiPos; no limit team incentive prog—loan officer, branch mgr, loan admin

Recruiting Tactics: **Engaging**

- Larry Bird rule
Recruiting Tactics: Evaluating

- Identify traits of success, *e.g.* coachability, adaptability, initiative
- Hire for ability to learn & train!
- Tradeoffs: hiring “high flyers” vs those who might stay
- Clarify priorities: Investing in “super star people” vs. “super star technologies”?

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Strategy #4:

Test Innovative Retention Tactics

- Manage Experience
- Get Valid Data
- Challenge Assumptions
Retention Tactics: Manage Experience

- “Test” onboarding practices: *e.g. Emps stopped being nice to people who aren’t going to stay, new “onboarding manager,” makes feel welcome*
- Continually communicate “purpose”

Key to Retaining Millennials: Clarify Team & Individual Purpose

- What does my department, group or team do that’s vital to the company?
- If we weren’t here, what *(bad things)* would happen?
- If we weren’t here, what *(good things)* wouldn’t happen?
- How does my job fit into larger whole? This job exists to…
- My job is to make sure that: …
- If I wasn’t here, this is what wouldn’t happen:…

Adapted from “Millennials and Management”, Caraher, 2015
How You Can Use “Purpose” Questions

- Answer questions *in writing* for specific employee’s role
- Have employees answer the questions for their job
- Meet to discuss & clarify any gaps in answers
- Identify significant gaps that require added training or allow you to predict tenure more accurately

Retention Tactics: Get Valid Data

- Focus on *skills* to develop, *not career paths*, *e.g. extending stay*
- “Exit Interviews” are too late!
Conduct “Stay Interviews” For In-depth Career Conversations

- Why wait until valuable employees are leaving?
- Reveals what is important to emps & how goals can be satisfied
- Attempts to identify & solve productivity obstacles
- Enhances relationship with direct supervisor, drives retention
- Focused on emps’ point of view!

Retention Tactics: Shift Assumptions

- Focus on extending their stay, not life time employment
- Design work roles expecting turnover, e.g. broaden relationships with clients, document everything
- Create an alumni career path
An Overlooked Retention Issue:
Maximize Value of Older Workers

Four Types of Older Workers

High performer, not retiring

“What knowledge are you most concerned about the organization losing when you are gone?”

High performer wants to retire

Lower performer, wants to retire

Lower performer, who won’t retire
Some Solutions: Leveraging Older Workers

- What is cost of collusion? …Not confronting performance issues!
- Explore flexible work options, phased retirement
  - Program, not a policy
  - Creative roles; e.g. mgr wholesale loan collateral monitoring gets 10% to stay 6 months to train
- Invest in mentoring skills, which vary greatly

Strategy #5:
Upskilling/Reskilling Incumbent Employees
“Learning is the New Form of Labor”

- Futurist Alvin Toffler says…

- Where are the “life long learners”?

Three Questions to Support a Learning Culture

- Culture shapes **motivation**:
  
- So in weekly huddle, ask staff to reflect on:
  
  - **Play**: What did you learn this week?
  
  - **Purpose**: What impact did you have?

- **Potential**: What do you want to learn next week?

See “How Company Culture Shapes Employee Motivation” by McGregor & Doshi, HBR, 11/15
Workforce Investments Defined By Future Goals

Capabilities Needed

Future Capabilities

Org’s Current Capabilities

Capability Gap?

Performance Goals drive WF investments

Envisioned Future Performance

“Planning” for the Future

Exercise: Use “Wheel of Change” to Pursue Changing Workforce Solutions

- **Create**: Identify 1-2 strategies you want to implement to improve the effectiveness of recruiting & retention.

- **Preserve**: What desirable qualities or practices in your culture related to succession & knowledge transfer do you want to retain? Be specific!

- **Eliminate**: What behaviors/practices are hurting your ability to develop the workforce you will need in the future?

- **Acceptance**: What situation, condition or outcome related to workforce are you just going to have to accept?

Ginger’s Story: “You have a choice.”

Your Challenge: Building a Future Workforce to Drive Growth

- **Prioritize** specific knowledge & skills **at risk**
- **Anticipate** AI impacts in your business
- Continually **experiment** with new recruiting & retention tactics
- Explore **upskilling/reskilling** opportunities to support growth
- Continually **challenge assumptions** about future workforce!!