EEI Strategic Issues Roundtable


September 2017
Introduction – What’s Changing?

Evolving Model
- The utility model and our business and public policy ecosystem are changing

Different People
- The labor market in which we compete and the terms of competition are changing

Different Planning
- For many, the tactical workforce planning needs are becoming more acute
- And for almost all, strategic workforce planning needs are important, are here, and are now
Introduction – What’s Changing? (Cont'd)

Evolving Model

- The stakes are high. Our utility industry is changing, and the workforce must change with it
- Digital transformation – our world will be more digital; our processes and decisions will be more data and analytics intensive
- Our technology will be more pervasive, artificially intelligent, and sophisticated – to name but a few factors
- Our engagement with stakeholders, customers, and partners will be even more complex, consequential, and collaborative
- Our processes will be more end-to-end, less silo-ed, and more automated

Different People – Demographics, Changing Labor Market Competitors/Terms of Competition

- Millennials – four generations in the workforce
- Anticipated retirements are ramping up
- Loss of tacit knowledge as baby boomers retire is looming
- Challenges in retaining/engaging younger staff while meeting the needs of more tenured workers
- The terms of competition in the labor marketplace are being upended by the likes of Google

Different Planning

- In our industry, the terms of business competition are being rebalanced as to the relative value of physical capital (i.e., “big iron in the ground”) and human capital (i.e., competencies and intellectual property)
- A different kind of workforce planning will be needed by most
Utility Model Is Changing

The givens, embedded in how we think and do business, are evolving.

**From**

- Load: growing versus flat/falling
- System: centralized versus decentralized
- Generation: dispatchable versus intermittent
- Power flow: one way versus bi-directional
- Customers: ratepayers versus prosumers
- Tariffs: volumetric versus redesigned PBR/transactive

**To**
Data and decisions will be more granular, more real time, and more complex.
The commercial and public policy ecosystem is more complex, more interdependent, and more important.
Different People

Changing Demographics

ECONOMY NEAR FULL EMPLOYMENT
- At 4.4% unemployment, the U.S. economy is near full employment

SLOW LABOR FORCE GROWTH
- Labor force growth rate expected to drop to .5% annually due to baby boomer’s mass retirement
- 45% of baby boomers plan to retire between 65 and 69…and they’re reaching that age now

SKILLED EMPLOYEE SHORTAGE
- Skilled workers with institutional knowledge will be in short supply
- Skilled candidates may demand increased wages, flexibility, and benefits
MILLENNAL: an individual born between the early 1980s and the early 2000s

85 million millennials in the United States
Industries with similar labor forces, such as construction and manufacturing, are mirroring utility industry challenges

- Facing a shortage of qualified workers
  - 22% of skilled manufacturing workers are retiring over the next decade
  - Too few graduates are STEM focused
  - Increased wages and training have not solved the issue
- Generational differences pronounced within the workforce
  - Underappreciation of these industries by millennials
- Technology is transforming the industry
  - Necessary changes may upset veteran employees
  - Technology driving increasingly complex projects
  - Automation continues to upend existing job responsibilities and requirements

Other industries are showing signs of struggling with the same issues, despite dissimilar workforces

- Insurance
- Retail
- Engineering
- Agriculture
- Healthcare
- Defense Contracting
- Food Service and Facility Management
- Sales
- Shipping and Logistics

Myriad industries and companies will face similar challenges to utilities, and many will tap the same labor pools – those that will be successful are addressing the future now.
Changing Demographics (Cont’d)

As utilities struggle to hire skilled labor, the exit of retiring baby boomers is creating a knowledge vacuum

- Experiential or “tacit” knowledge takes time to acquire and is difficult to pass on
  - Millennials are less likely to remain in jobs for extended periods so they may not develop this knowledge
- Utilities are facing an older workforce on the cusp of retirement
  - Roughly 25% of utility industry employees will be ready to retire in the next five years

Concurrently, utilities are dealing with a variety of internal shifts that are expected to grow more acute in coming years

- Skills gaps for new technologies
  - For example, heightened focus on cybersecurity and cyber-physical systems requires technical acumen and robust training
- Increased impact of automation
  - Tacit knowledge may not be enough as the workforce contends with automation changing existing jobs
- Difficulty hiring a skilled workforce
  - Disappearance of historical training programs means potential employees lack necessary skills and experience
Baby Boomers to Millennials – How Do We Transition?

Preparing to Pass the Torch

- Mentorships
- Craft-based apprenticeships
- Critical skill development opportunities
- Cross-training

Retention Drivers

- Baby boomers – ideal to employ policies and practices that keep retirees on staff longer until successful knowledge transfer occurs
  - Flexible work hours
  - Compressed schedules
  - Phased retirements
- Millennials – this generation is the most educated in history
  - Strong desire for robust and consistent development opportunities
  - Urge for continual learning
  - Need for clear and open feedback mechanisms

All Generations Expect:
- Challenging work projects
- Competitive compensation
- Opportunities for advancement and to grow and develop in roles
- Work-life integration

Different People
Utilities will increasingly need specialized technical expertise

- Recent industry studies pinpoint cybersecurity as the biggest challenge facing utilities
- Increased focus on technologies like distributed generation, smart home devices, and new methods of storage require an array of new skills

Competition for technical expertise will become tougher

- Proliferation of smart home devices presents an entry point for powerful technology firms like Google and Amazon into the industry
  - Technology firms may poach talent to build up utility expertise
  - Utilities may not have the resources or flexibility to compete with the compensation, benefits, and flexibility offered by technical behemoths
Different Planning

So...What Do We Do Now?

Solutions to address the ever-shifting environment include:

- Planning the knowledge transition from the retiring generation to the new workforce
- Applying in tandem two important yet distinct types of workforce planning to move your organization closer to its workforce goals

**KNOWLEDGE TRANSFER**

- Determine retention drivers for all employees in workforce
- Establish structured process for documenting and archiving knowledge
- Develop creative mechanisms to pass the torch

**TACTICAL PLANNING**

- Time horizon is near term
  - Outlook less than five years
- Involves evaluating and addressing the needs for the “as is/where is” set of jobs and competencies

**STRATEGIC PLANNING**

- Time horizon is mid to long term
  - Outlook five to 10 years
- Involves determining the workforce and workplace of the future and how these pieces are woven into the employee lifecycle fabric
Tactical Workforce Planning is a systematic process to identify gaps between the workforce of today and the needs of tomorrow. ScottMadden defines tactical workforce planning as evaluating and addressing the needs in the next one to three years for the “as is/where is” set of jobs and competencies.

### 1: Set Strategic Direction
- Set organizational and group direction
- Define goals and measurable objectives

### 2. Conduct Workforce Analysis
- Forecast future workforce demands
- Analyze current workforce supply
- Determine gaps
- Develop strategies to close gaps

### 3. Develop and Implement Workforce Plan
- Develop workforce plan
- Communicate workforce plan
- Implement strategies to close gaps, such as targeted recruitment, training programs, and succession planning

### 4. Monitor, Evaluate, and Revise
- Address new workforce and organizational needs
- Determine what plans and strategies are working well and/or are not working well
- Adjust plan as needed
Many companies talk about planning for their workforce needs; however, workforce planning is not effective unless it is linked to enterprise goals and integrated into the overarching talent management support cycle.

**Talent Management Infrastructure**

- **JOBS**
  - Skills and Competencies
  - Position Descriptions
  - Job Titles

- **ORGANIZATIONAL STRUCTURES**
  - Job Families
  - Career Paths
  - Organizational Design

**Talent Management Support Cycle**

- **WORKFORCE PLANNING**
  - Workload Assessment
  - Staffing and Skill Mix
  - Contractor Base
  - Departures

- **WORKFORCE MANAGEMENT**
  - Employee Engagement
  - Career Progression
  - Succession Planning

- **TALENT ACQUISITION**
  - Sourcing and Tracking
  - Screening and Selection
  - Pre-boarding

- **EMPLOYEE DEVELOPMENT**
  - Onboarding
  - Training
  - Learning and Performance Management Systems
Strategic workforce planning is your long game, looking at the horizon three, five, or even 10 years out. An example construct that addresses your people, your workplace, and your workforce planning process is below.

1. Determine what competencies (tangible and intangible), at the strategic level, will govern your future success and how they will be/become embodied in your workforce
2. Adapt the work environment to facilitate success in attracting, retaining, and growing your employees
3. Provide a process to ensure that you think systematically about your workforce and workplace
Strategic Workforce Planning – Keys to Success

**Different Planning**

**STRUCTURE**
- Governance and oversight
- PMO discipline and infrastructure – run it like a project, initially

**MODEL AND TOOLKIT**
- Organizational model
- Sustainable process
- Templates and tools

**CHANGE MANAGEMENT**
- Strategy and plan employing both “explicit” change management tools and “embedded” change management techniques

**COMMUNICATIONS PLAN**
- Communications plan
- Stakeholder awareness and buy-in

**TRAINING**
- Documentation for strategy, model, process, and tools
- Training plan
So Let's Get Started…

- What are the competencies we will be seeking, hard and soft? (e.g., data scientists, emotional intelligence, etc.)
- What will we change across the (expanded) employee life cycle?

**Different Planning**

**Workforce of the Future – Our People**

- Attract
- Recruit and Onboard
- Develop
- Lead and Manage
- Retain and Reward
- Redeploy and Retire

**Workplace of the Future – Our Place**

**What and Who**

**How**

**Where and Why**
Thank You!

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