

Mitigating Repercussions of an Aging Workforce

An Interview with Arkansas Electric
Cooperative Corporation

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One of the issues front and center in talent management discussions is the “Retirement Wave.” The retirement wave refers to the phenomenon in which large numbers of people within an industry will hit retirement eligibility within a short period of time, taking institutional knowledge with them. Some experts have theorized that this wave has been imminent for 15 years as boomers have aged and become eligible for retirement, but the downturn in the economy has helped delay this wave of retirements slightly. As a result, the aging workforce issue has been a continued focus within multiple industries, including manufacturing, energy, and the federal government.

In 2013, ScottMadden reported on the talent struggle within the utility industry (“[Utility Talent Struggles – What Should You Focus on First?](#)”). At that time, we discussed the extraordinary number of retirements anticipated within the energy industry prior to 2020. As we are approaching 2020, HR organizations are still faced with establishing strategies to manage the inevitable retirements of highly skilled employees in critical positions with expertise that takes years to develop.

Arkansas Electric Cooperative Corporation (AECC) is not shielded from this retirement wave. Instead, it is taking a direct hit. AECC is based in Little Rock, AR, and provides power to Arkansas’s 17 electric distribution cooperatives who serve more than 500,000 homes, farms, and businesses in Arkansas and surrounding states.¹ Within the next five years, it is estimated that nearly half of the people in leadership positions within the cooperative will be retirement eligible. To address this retirement wave, AECC is building a hiring and knowledge transfer strategy. Part of this strategy includes documentation of processes that are at high risk due to departing talent. Working with ScottMadden, AECC trained a dedicated team of employees who are responsible for interviewing subject matter experts and documenting detailed steps for critical processes. This was just an initial step in AECC’s overall plan to transfer knowledge.



Maria Smedley, VP of
HR and Strategy, AECC

ScottMadden sat down with Maria Smedley, vice president of human resources and strategy for AECC, to discuss this issue. This interview examines the inevitable retirement wave, highlighting AECC’s approach to mitigating repercussions of the aging workforce.

Maria joined AECC in November 2010, and prior to this, she was employed by the National Rural Electric Cooperative Association (NRECA) as the director of employee relations and benefits. She has more than 20 years of HR experience in a variety of sectors. Maria is a graduate of George Mason University, School of Law; holds an M.B.A. from the University of Tennessee at Chattanooga; and earned a B.S. in business administration from Southern Illinois University at Edwardsville.²

¹ Electric Cooperatives of Arkansas. (2014). *About Us*. Retrieved from <http://www.aecc.com/about-us>


² Electric Cooperatives of Arkansas. (2014). *Executive Bios*. Retrieved from <http://www.aecc.com/about-us/executive-bios>

ScottMadden: On a scale of one to five, with five being critical/high risk, how severe is the aging workforce issue for Arkansas Electric and cooperatives overall?

Maria: I would say a five for the industry and a four for Arkansas Electric, specifically. I was just looking at some data today in the cooperative world, and over the next five years, 50% of our cooperative leaders will be retirement eligible. To have that level of turnover at the highest level of leadership in such a short period of time is significant.

ScottMadden: What specifically is keeping you up at night? What is the biggest risk?

Maria: The biggest risk is knowledge walking out the door. Many of our older employees, sometimes referred to as “baby boomers,” has worked for us their entire careers. They know what they do and they know how to do it. Unfortunately, I believe a lot of these work activities that they’ve done in their role with the organization over the course of their career have not been documented. Once these individuals leave the organization, that work still needs to be done. I’m concerned that all the components of the processes that were being accomplished by these individuals might not be fully understood, which would either create a significant ramp-up problem for new people coming into the role or negatively impact business operations if critical steps are missed.



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ScottMadden: In addition to hiring people with the required skills, would you agree that knowledge transfer through documented processes is equally important?

Maria: Yes. It is important to hire people with the right skills for the roles, but documented processes enable a new hire to get up to speed faster and ensure consistency in how work is completed. Otherwise, the onboarding experience can be very difficult, requiring more time to train. In the absence of documented processes, new hires are often rebuilding processes from scratch.

ScottMadden: Documenting processes is one way that Arkansas Electric is working to address this issue. What are you doing with respect to training and development of talent?

Maria: We’ve identified mid-level managers and individual contributors who are talented and capable of taking on more responsibility than is in their job descriptions. We are giving them opportunities to contribute by asking them to help determine how we will transfer knowledge, how we will document processes, and how we will continue to adjust to some of the new realities of business operations. We are providing these resources key training and assigning them significant projects to give them the opportunity to build leadership skills and to gain experience working across different departments and divisions. They are learning and simultaneously generating solutions to solve real problems within the organization.

ScottMadden: *In essence, you're breaking down that silo where you just have one expert, and you're building a team with the needed expertise and exposure?*

Maria: Right! One challenge has been that, in the past, our employees have operated in silos: "I know what I do. I only do my part...and then I send it over there. I don't know what happens over there, but I'm not concerned about that." We are now changing that perspective to: "I know what I do and I also know what happens when it goes over to the other department." As employees work to improve upon what they're doing, they also understand the impact to other departments. We are working across lines now instead of just remaining in our individual roles.

ScottMadden: *That seems like a big deal—getting people to step outside their lane and go into areas where they can easily say "that's not my job." Are you experiencing any resistance?*

Maria: No. The employees who are participating are doing it willingly. There is no financial incentive (or additional compensation) for the level of enthusiasm and participation that we are experiencing. We ask and the employees accept the challenge.

ScottMadden: *Are you experiencing any resistance with existing subject matter experts?*

Maria: We realize the most resistance with existing subject matter experts is due to concerns with job security. Some of these employees believe that if they are the sole owner of process knowledge, this creates job security. However, we must continue to work together to make sure our business critical processes are sustainable and have a sufficient level of continuity. One way we encourage participation is by building incentives, such as including participation in their goals for the year, which directly impacts their compensation.

ScottMadden: *Which departments or positions are more exposed as a result of the aging workforce?*

Maria: We've been feeling the effects of this retirement bubble for the last six to eight years. In the last five years, 50% of our senior leadership has changed. We also have some exposure in our power plants and, obviously, those are critical jobs. We are currently losing very experienced technicians, which is disconcerting. These technicians make sure all of the substations are in working order. The learning curve for technicians is at least three years, so this is the biggest area of concern at this point. Part of our strategy includes overstaffing in our technician group. This is a costly strategy; however, in this instance, I think it's cost-justified because that technical skillset is so critical.

ScottMadden: *You have described multiple initiatives at play: cross-training employees, establishing dedicated teams to document processes, and overstaffing critical teams. What are some of the constraints that may keep you from being successful?*

Maria: The biggest constraint is not having as much money as we'd like so that we can move more quickly. The other concern, again, is as we are trying to push forward with our initiatives, we also still have to run the business, and this can be challenging.



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— MARIA SMEDLEY

ScottMadden: What is your opinion regarding the impact this aging workforce issue has had on the utility industry?

Maria: I think the energy industry is feeling the impact more severely, because traditionally the energy industry often provided lifetime employment. Employees experienced great pay and benefits, so they stayed, built expertise, and became the “go-to” people. Now, a large group of these employees are eligible for retirement at the same time. Additionally, in our industry, turnover is low. For this reason, it was common to go five to six years without hiring new staff, creating a gap in the pipeline of talent.

ScottMadden: So, where do you see your organization in the next 5 to 10 years?

Maria: By 2025, retirement within the cooperative utility industry will be on the decline. We will be doing a lot of hiring and looking for new talent. We'll probably have to get a lot of that talent from other industries. I think we're going to look and operate differently, because we are going to have such a diverse new mix of employees bringing new ideas and new ways of doing things. Also, technology will continue to drive how we operate our business as well.

ScottMadden: Do you see an issue with another retirement wave in the future?

Maria: In my opinion, the expectation that employees will stay with an employer for their entire career is no longer valid. So, I do not believe we'll be in this situation again. While we hope many of our resources stay for as long as possible, I believe that the workforce will be a much more transient workforce than it was during the tenure of the baby boomer employees.

SUMMARY

The retirement wave is inevitable, but there are ways to be proactive. Documenting and transferring critical process knowledge is one part of a strategy to address this issue. ScottMadden has helped guide numerous clients in developing and executing talent management strategies to shield businesses from the impact of transitioning highly skilled employees in critical roles.

ABOUT SCOTTMADDEN'S CORPORATE & SHARED SERVICES PRACTICE

ScottMadden has been a pioneer in corporate and shared services since the practice began decades ago. Our Corporate & Shared Services practice has completed more than 1,300 projects since the early 90s, including hundreds of large, multi-year implementations. Our clients span a variety of industries from entertainment to energy to high tech. Examples of our projects include business case development, shared services design, and shared services build support and implementation.

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