

## EEI Strategic Issues Roundtable

Strategic Workforce Planning – Why? Who? What? Where? How?

September 2017

# Introduction – What's Changing?

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## **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)

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## 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

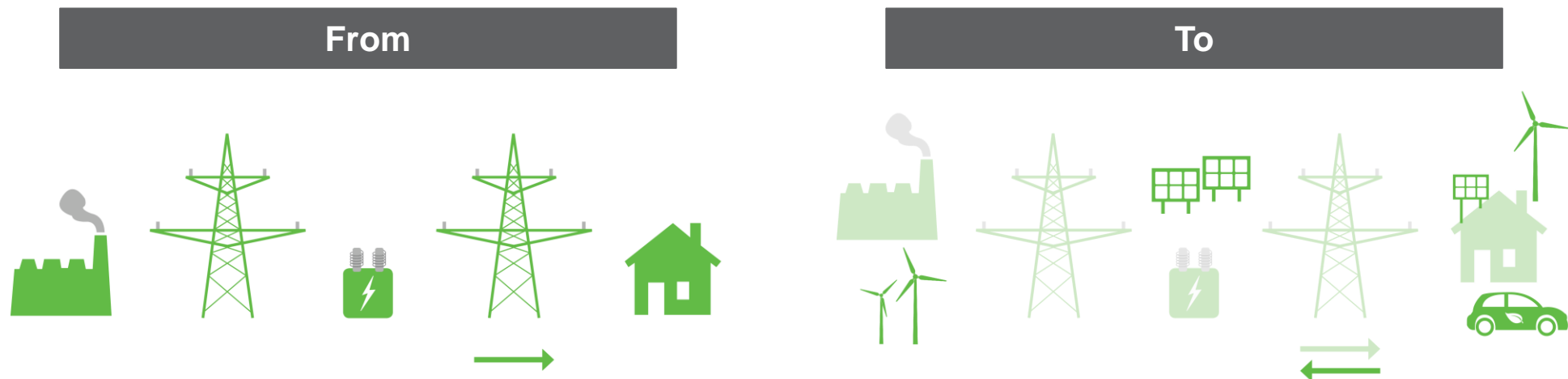
## Different People – Demographics, Changing Labor Market Competitors/Terms of Competition

- 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



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

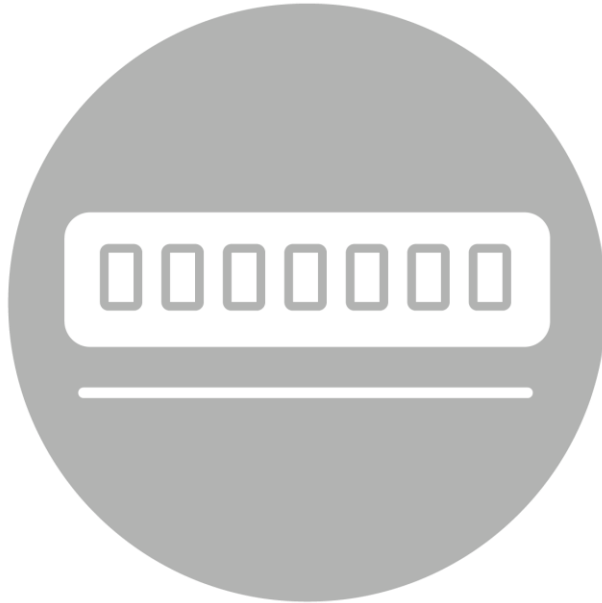
**The givens, embedded in how we think and do business, are evolving.**

# Utility Model Is Changing (Cont'd)

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From

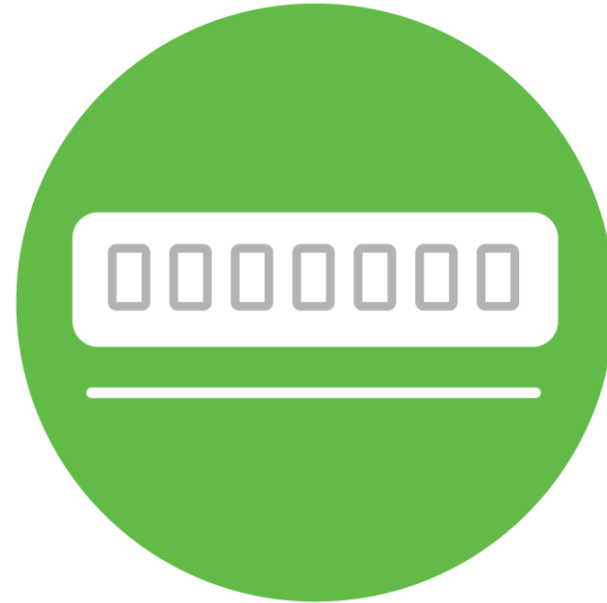
1 Read/1 Month



*1 data point per customer per month*

To

1 Read/15 Seconds

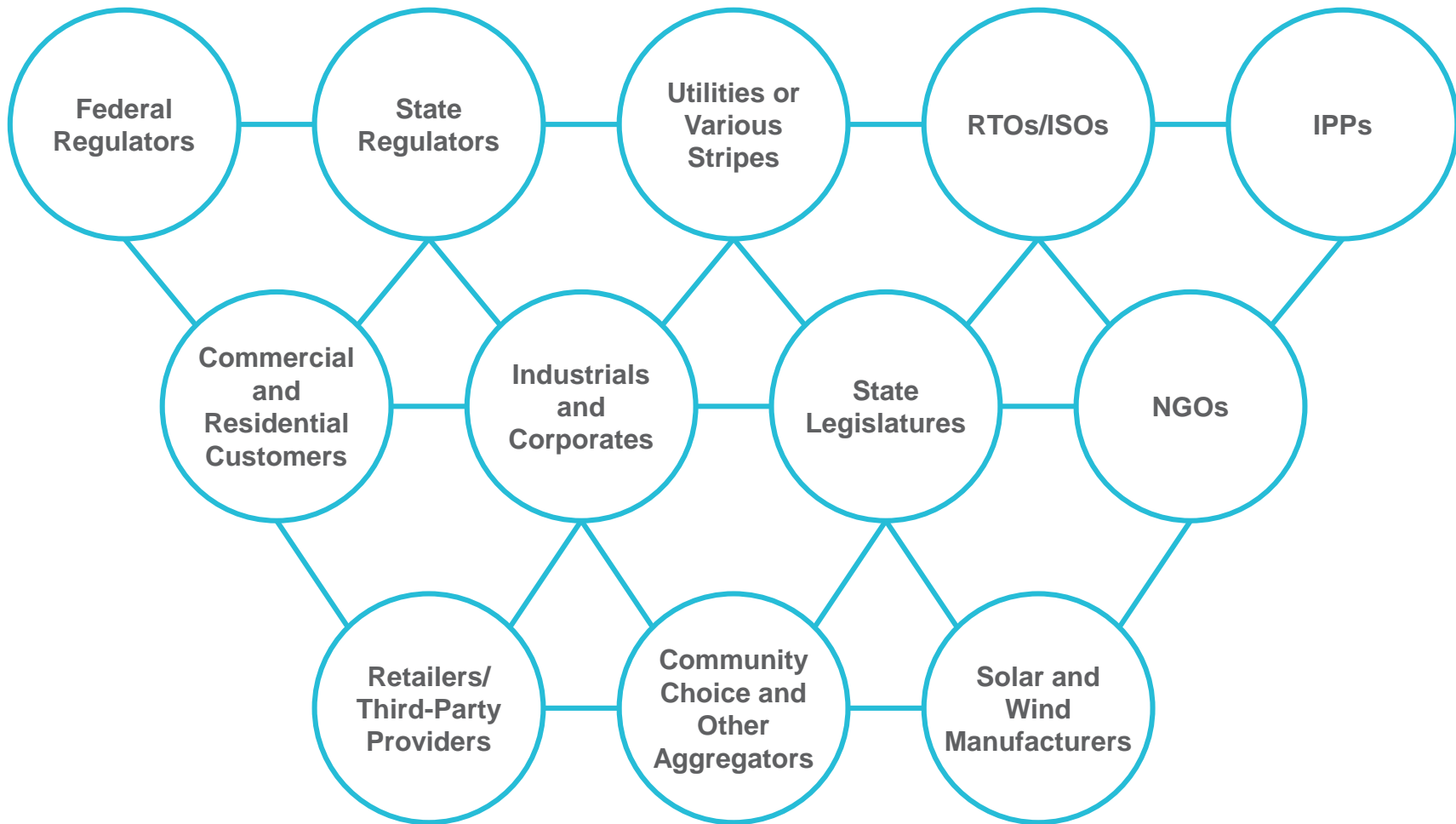


*172,800 data points per customer per month*

**Data and decisions will be more granular, more real time, and more complex.**

# Utility Model Is Changing (Cont'd)

The commercial and public policy ecosystem is more complex, more interdependent, and more important.



# Changing Demographics

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## **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**

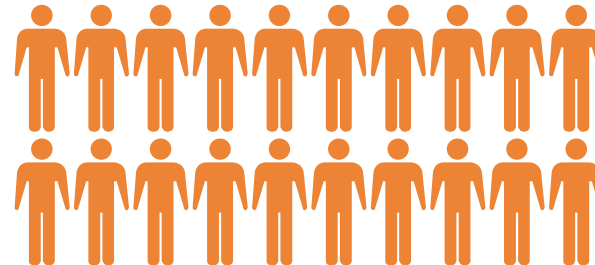
- Skilled workers with institutional knowledge will be in short supply
- Skilled candidates may demand increased wages, flexibility, and benefits

# Changing Demographics (Cont'd)

## MILLENNIAL:

an individual born between the early 1980s and the early 2000s

**85** million  
millennials in the United States





## Changing Demographics (Cont'd)

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**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)

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**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?

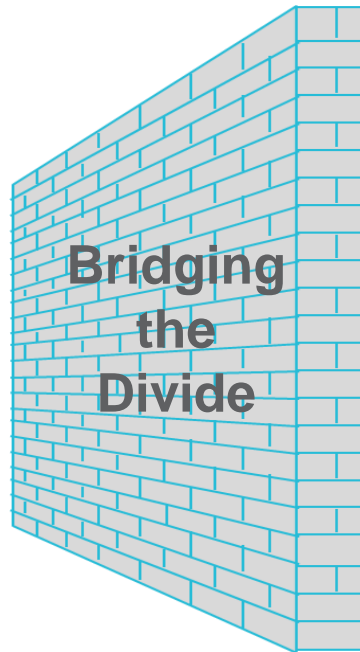
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## Preparing to Pass the Torch

- 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 Competitors for Labor

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## 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

# So...What Do We Do Now?

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**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



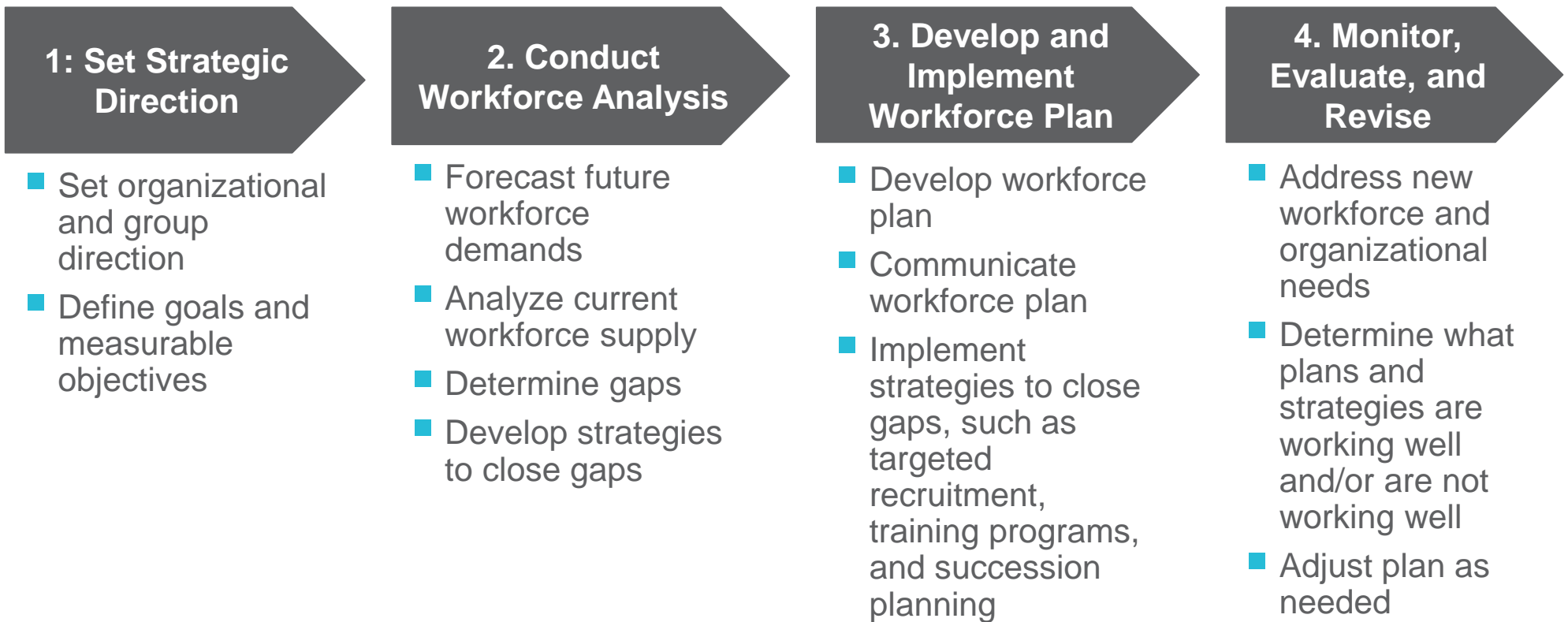
## STRATEGIC PLANNING

- 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 – Example Process

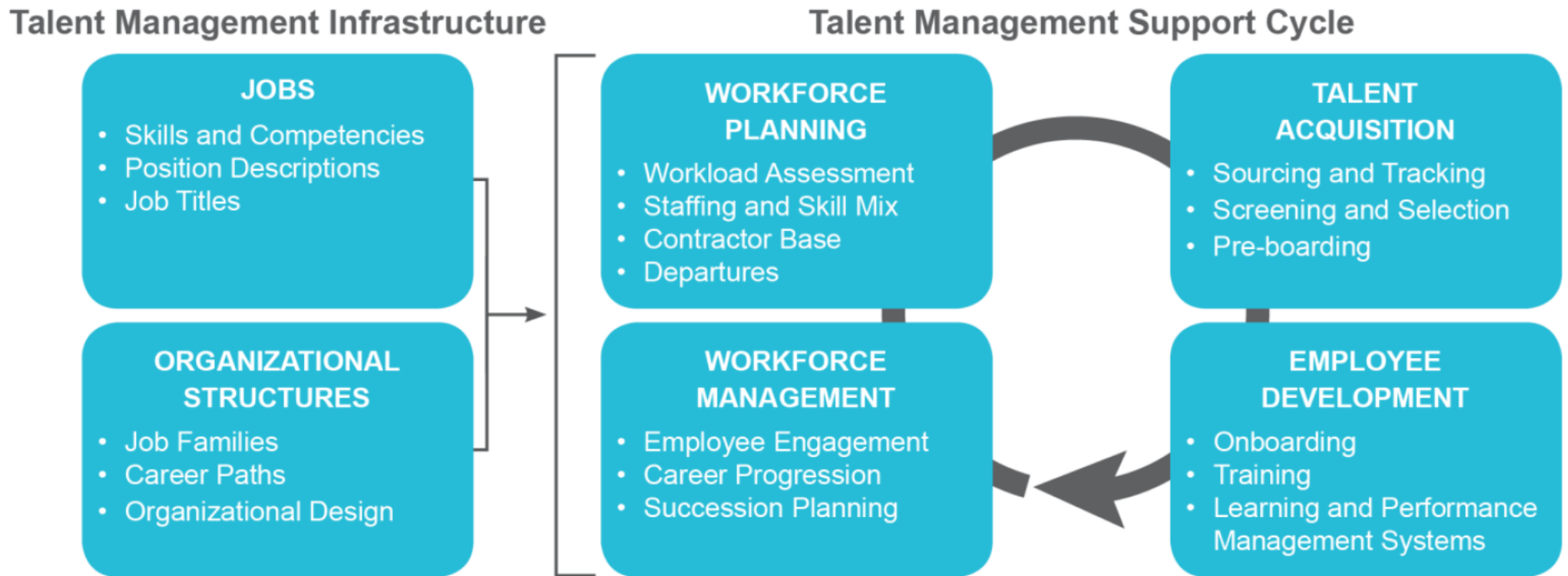
Tactical workforce planning is a systematic process to identify gaps between the workforce of today and the needs of tomorrow. ScottMadden defines tactical workforce planning as evaluating and addressing the needs in the next one to three years for the “as is/where is” set of jobs and competencies.





# Tactical Workforce Planning – Example Framework

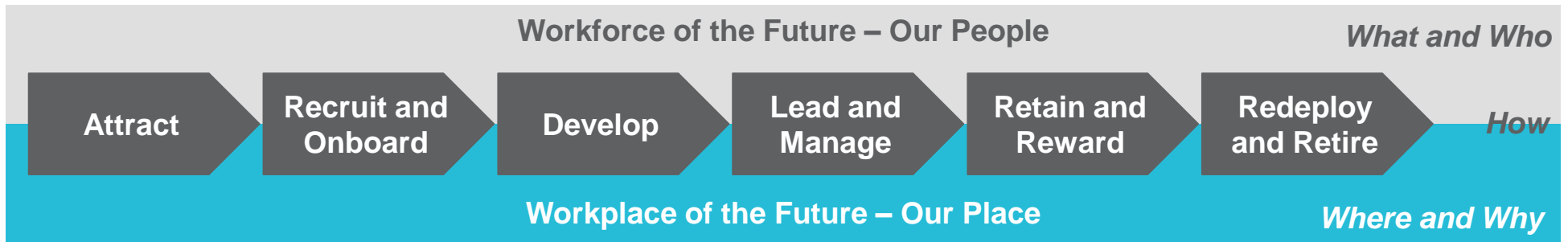
Many companies talk about planning for their workforce needs; however, workforce planning is not effective unless it is linked to enterprise goals and integrated into the overarching talent management support cycle.



# Strategic Workforce Planning



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



## 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

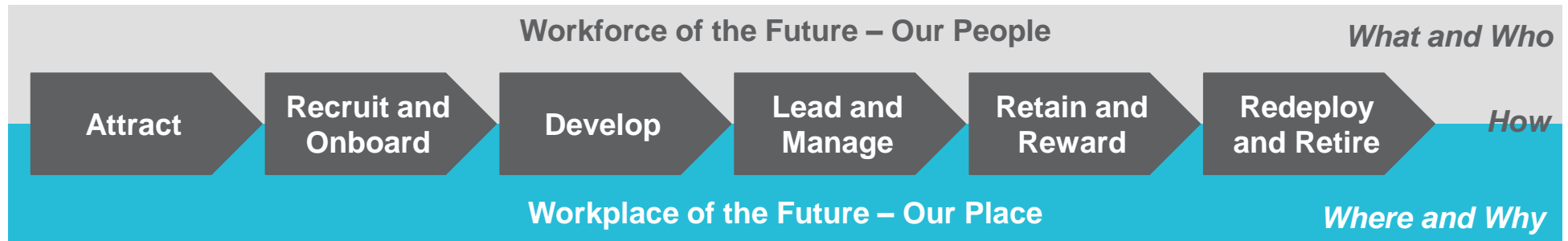


## TRAINING

- 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?



# Thank You!

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