

Human Performance

Managing the risks of a changing workforce

By David Smith

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Until recently, most executives could count on a pool of potential workers for their organizations that was relatively steady from year to year—in terms of numbers as well as employees' basic skills and career expectations. Today, that is no longer the case. In many industries, the workforce itself—the way people work and the future supply of skilled and educated employees—are changing dramatically through demographics, culture, technology and new methods of sourcing work. Companies and government agencies that hope to achieve and maintain high performance must take methodical steps to manage the risks of this changing workforce. By diagnosing the impact of a changing workforce on their organizations—and then by putting in place an integrated suite of solutions—executives can get out in front of these workforce trends, before the crisis is upon them.

The changing workforce: Understanding the multi-faceted challenge

The changing workforce is, in part, an issue of global demographics. In many industrialized nations, the average age of the population is steadily increasing, meaning that more people in the current workforce are approaching retirement age. Add to this the decline in birth rates in many industrialized nations, and now companies are at risk of having valuable knowledge and skills leave the organization when employees retire...without enough new employees to replenish those skills.

Yet while some analyses of future workforce issues focus almost exclusively on aging populations, Accenture holds that the challenge is much more multi-faceted. Early retirement programs, for example, have exacerbated the situation. The changing

expectations of younger workers—"Generation Y" or the "Millennial Generation"—are affecting the ability to hire in some industries and are altering traditional incentive and career management programs. Worker dissatisfaction and disengagement continues to grow, particularly among middle managers. New technologies, new ways of selling and higher customer expectations are having an impact on the skills needed for employees to perform optimally. As work increasingly is sourced anywhere in the world, collaboration becomes more challenging and workers may become less attached to a particular organization. Mergers and acquisitions continue to challenge people's ability to adapt and perform.

Accenture believes that although the challenges presented by this complex picture of the changing workforce are considerable, it is, at heart, a risk management issue—no different than other external or environmental risks organizations face every day. Thus, it is possible to tailor well-known strategies in business continuity planning to anticipate and avoid the potential disruption of workforce shortages and deficiencies in vital skills and capabilities.

Navigating these workforce challenges requires a three-phase risk mitigation approach:

- 1. Align business strategy to workforce strategy.** As an organization looks at its workforce strategy, it must identify the high-impact critical workforces that make the most difference in business performance, given the changing workforce issues that have the most potential business impact to a company. More detailed information can then be obtained by assessing the risks of retirement and attrition within those

critical workforces. New assessment tools are available that enable the graphical depiction of an enterprise's supply and demand for workforce skills. Based on that analysis, organizations can calculate the overall financial impacts of their anticipated workforce changes.

2. Assess and diagnose workforce capability gaps.

Based on a workforce strategy and analysis, organizations can then conduct a diagnostic to evaluate the potential magnitude of workforce risks and to set a general direction toward risk mitigation. One effective diagnostic tool is the Accenture Human Capital Development Framework. This framework, which emerged from Accenture's ongoing research into high-performance businesses, is a diagnostic approach to assessing human capital capabilities and the processes that drive them, and then linking human capital assets and approaches to business performance outcomes.

3. Develop an integrated suite of solutions.

Once companies have effectively translated business strategy into a workforce strategy and have assessed their workforce capability gaps, they then must focus on the right mix of four types of workforce solutions:

Knowledge solutions

For many companies, the first order of business will be to implement a formal process to ensure that the organization captures the experience and expertise of retiring workers and transfers this knowledge to the retirees' successors. Accenture has worked with a number of organizations in both the public and private sectors on such projects, using an approach called Enterprise Knowledge Retention and Transfer. Through the use of specific tools and methods, this process captures critical knowledge—both explicit and tacit—from experienced employees and makes this knowledge available, at the point of need and on an ongoing basis, to less-experienced employees.

Performance solutions

To successfully mitigate the risks of larger pools of inexperienced workers, companies need a strategic workforce enabler that is more effective than the "one-size-fits-all" employee information portals that have appeared in the marketplace. Employees need more: real-time, active support for their job performance, integrated across all essential resources and applications.

Accenture has developed one such workforce enabler, called a "Performance Workspace." Tailored to the particular needs of an organization, this comprehensive type of solution delivers a workforce-centric, role-based desktop environment comprised of the knowledge, content, legacy applications, productivity tools, learning, collaboration and expert network capabilities that enable workers to increase their performance to new levels. Organizations that successfully implement these sorts of tools will lay the foundation for maximizing their long-term competitiveness during the next decade.

Talent management solutions

While knowledge solutions mitigate the risks of knowledge loss, and performance solutions mitigate the risks posed by inexperienced employees who replace retiring workers in critical jobs, talent management solutions address the challenge of accelerating the pace at which companies move people through the entire employee lifecycle, from acquisition to development to performance management.

Two emphases are particularly important in designing and executing on a comprehensive talent management strategy. One we have already mentioned: identifying a company's business-critical workforces—those especially important to achieving high performance. The second follows from that: identifying what performance "excellence" means for each business-critical workforce. By analyzing what the top-performing individuals do right—their behaviors, as well as their backgrounds, skills, level of experience, education and a variety of other factors—companies can help a greater percentage of the workforce move toward the higher end of achievement.

Service delivery solutions

Part of the toolbox of risk mitigation strategies for a changing workforce are various types of service delivery solutions—automation technologies, co-sourcing/outsourcing opportunities and shared services models—that help organizations maintain acceptable levels for productivity and customer satisfaction even as capabilities change and as the numbers of people needed to fill critical positions become more scarce.

For example, the increased use of customer self-service—either over the Web or as automated phone functionality—can lower a company's risks of having an insufficient pool of workers to fill critical customer ser-

vice positions. Automated testing procedures and tools play a similar function for software companies.

Conclusion: Creating a high-performance workforce in the face of change

Just as companies in the late 1990s came to appreciate the critical nature of their information systems, so companies and governments in 2010 and beyond will come to appreciate the critical nature of their workforces and will devise new programs to improve their speed to optimal performance. Scarcity and change are upon us, and organizations on the path to high performance must act now to stave off these risks with careful, phased and comprehensive workforce transformation programs.

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