

## PM WORLD TODAY – VIEWPOINT – NOVEMBER 2008

## How Project Management Can Rescue Companies from the Baby Boomer Leadership Vacuum

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With SAP projecting that the baby boomer generation comprises nearly 46% of the worldwide workforce, companies irrespective of size, industry or location are looking ahead to the next 3 – 5 years and hearing the same, in Ross Perot's vernacular, "sucking sound": the sound of the baby boomer leadership vacuum. This inevitable situation is the result of significant numbers of senior managers and executives entering retirement beginning in 2010. In fact, RHR International conducted a study last year that found that 500 of the US's largest firms will lose half of their senior management by 2011. What are companies doing to reduce the risk this problem presents to their growth and operations strategies? And, how do companies develop a clear understanding of the skills they will require in the next 3 – 5 years? Once companies define those skill set projections, where will they go to fill the talent void?

Before answering the above questions, let's first examine the talent void and corresponding knowledge gap more closely, i.e., who is affected, how significantly, and when. A UtiliPoint survey of the U.S. regulated and de-regulated utility industry in 2007 revealed some startling facts. 25% of all utility companies that participated in the survey stated that nearly 50% of their workforce will retire in less than 5 years. Unfortunately, the U.S. financial industry will also soon be in a lurch. According to a 2007 survey conducted by FWI International, 51% of the financial and banking leaders who responded indicated that the nearing baby boomer retirement would result in a labor shortage by 2010 and that succession planning, brought on by the shrinking labor force, will be important for 48% of all banks in the United States. Another industry not immune to the talent void is the health care industry. A PWC study compiled in 2004 found that the US health industry will suffer a 40% vacancy by 2020. Other industry sectors such as Transportation, Technology, Government, and Aerospace, to name a few, are also expected to be adversely affected by the shrinking workforce. In short, nearly every industry will be faced with this serious problem.

Many analysts initially responded to the shortage with the refrain, "Let's just outsource". Unfortunately, if a company's talent acquisition strategy consists of recruiting executives in developed and emerging economy countries the solution will likely fail. A 2007 Deloitte

study found that countries such as China, Russia, France, South Korea, Spain, Italy, Germany, South Africa, Netherlands and Japan are forecasting negative workforce populations (fewer workers than demand) beginning in 2010 and lasting through 2050. It is worth noting that the affected nations include each G-8 nation, the nations that, according to the University of Toronto G8 Information Center, produce 65% of the gross world product. Though still in positive numbers, even the countries of Mexico, Brazil and India are projecting a fraction of the workforce available today. Specifically, according to the same Deloitte study, India's workforce is forecasted to diminish by nearly 75% from 2010 to 2050. Not only will no single nation be able to fill the worldwide demand, the competition for global workers is expected to intensify as companies search for qualified professionals to fill the corporate gaps.

Armed with the knowledge that outsourcing and off-shoring will not adequately address the problem, many company leaders across the globe are beginning to construct and deploy a multi-faceted talent management strategy focused, not only on attracting new talent, but retaining and grooming existing resources. In point of fact, a 2007 IBM survey of leaders in over 40 nations found that human resource executives and managers appeared to be more concerned with developing existing employee skills than attracting new talent. Furthermore, companies such as SAP are advocating the use of rather elaborate talent management programs that include pay for performance, education and training, talent pipelining and detailed succession planning. The primary focus of such programs is developing existing internal management talent to take over the executive reigns.

This internal management talent is often generically referred to as "management generalists". These staffers are typically characterized as possessing requisite business acumen, being practiced in decision making and having above average skills in strategic thinking, leadership, problem solving, and tactical delivery. Many companies are designing talent development programs aimed at building function level expertise within these junior leaders in hopes that they can be plugged into function level vacancies as the needs arise. The problem many organizations have is identifying these "management generalists".

Well, let's see... Business savvy... Good problem solvers... Decision makers... Leadership... Strategic thinkers... Tactical executioners... This looks a lot like the typical project manager job description.

As even those outside the project management discipline know, project managers are responsible for effectively managing the "iron triangle" of cost, time and scope/quality. In addition, they are also required to successfully manage integration, human resources, communications, risk and procurement, fulfilling the famous "nine knowledge areas" the Project Management Institute® prescribes. Practically speaking, most project management professionals regularly develop project and/or product strategies to meet stated goals, manage six to eight figure project budgets, hire and supervise people, negotiate with vendors, manage client expectations, develop and monitor quality controls, communicate extensively with various levels and functions internal and external to the organization, mitigate risk, report vital project statistics, etc.

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Comparing the project management accountabilities to the senior executives' responsibilities reveals that there are a number of similarities in the roles, save for the variances of scale. For example, the Bureau of Labor and Statistics states that a top executive is one who "devises strategies and formulates policies to ensure that goals are met." Most project managers operate from the understanding that their ultimate goal is to ensure that the project objectives are achieved.

Evaluating this comparison more closely, Chief Executive Officers meet regularly with subordinate executives to make certain that goals are being achieved and that proper governance is applied to company reporting and controls. At a project level, the project manager is likened to the project CEO. S/he must meet regularly with function managers and project team members to monitor progress against the project goals. And, any project manager working in a Sarbanes Oxley compliant environment is keenly aware of the need to manage activities within the governance guidelines and controls. A CEO is also responsible for reporting to the board of directors regarding the welfare of the company. On a project level, the project manager must regularly report the project's state to the stakeholders and sponsor(s).

The project management role comparison to a Chief Financial Officer's role also uncovers parallels. A CFO is traditionally in charge of developing the organization's financial goals and overseeing the corporation's financial budgets, cash flows, risks and expansion endeavors. Similarly, the project manager is often viewed as the CIO of the project. S/he must monitor the project's financial performance against the budget and/or business case. Likewise, s/he must manage financial risks to the project – delays, staff productivity, procurement, estimates versus actuals, etc. Finally, program managers are expected to evaluate potential product or program expansion endeavors for financial value to the organization.

Despite the Chief Operations Officer responsibility variables driven by company size, industry and location, the function is wholly analogous to a project manager role. Some common COO duties, according to the Bureau of Labor and Statistics, include "formulating policies, managing daily operations and planning the use of materials and human resources". Project managers are already performing many of these functions at a project or program level on a daily basis. Project managers are required to plan the consumption of an organization's assets, i.e., machines, technology, human capital, etc. in each engagement. Additionally, project managers oversee the daily operations of their project(s) through reports, status meetings, and metrics, much like a COO maintains awareness of a company's day-to-day operations.

Lastly, because the project management discipline has achieved great maturity in the technology arena, the connection between a project manager role and a Chief Information Officer is material. A CIO must propose budgets for projects and programs, make decisions on staff training and equipment purchases, and hire and assign technology workers. Most senior level project managers or program managers must perform the same duties at a project

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level. Increasingly, CIOs are expected to be more involved in the strategic business planning of the firm. Many senior level information technology project managers working in an environment in which there is a pragmatic, disciplined project selection and prioritization process in place, are today engaged in defining the strategic technology plan.

Reviewing the comparable executive duties to a project manager's standard responsibilities presents a substantive argument for leveraging a company's project management talent pool as a primary source for filling the executive vacuum. Grooming these already competent leaders for the scale demands of the soon-to-be vacated positions would be a prudent succession strategy. In addition, company leaders would be wise to consider building a talent pipeline from project management sources to round out their talent management strategies. A possible progression would include: hiring college graduates to fill project coordinator roles; promoting top project coordinators to project manager positions; promoting high performing project managers to senior project managers/program managers; selecting top performing senior project managers/program managers for the senior management positions. Such a progression strategy bring candidates to fill positions at all levels in the organization, while also developing and promoting those project leaders who possess industry and company knowledge and a successful track record for the most senior level roles in the company.

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