

The Impending Talent Crisis ... Six Sigma and Lean to the Rescue

By Tim Noble

“Talent Wars” and “Brain Drain” are not the latest must see horror movies due out this summer, but U.S. business leaders might want to sit-up and take notice of an emerging crisis that could play-out frightening results for their organizations in the coming decade.

As 77 million U.S. Baby Boomers begin to retire over the next decade, there are only 46 million Gen-X'ers available to backfill the Boomers' retiring ranks. Even with a modest two percent economic growth rate over the next 15 years, demand for critical talent could increase by as much as a third, creating a “war” for critical talent. For some companies the crisis may be even more immediate. One recent study of the nation's 500 largest companies reported that they expect to lose half of their senior management over the next five years. Additional studies suggest that up to 85 percent of major companies surveyed have no formal program or process in place to deal with this impending crisis.

In the past few years companies have been so transfixed on downsizing to contain costs that they have largely neglected this looming threat to their competitiveness. There is no doubt that over the next decade or so, demand for talent will ebb and flow with the economy, however there is no denying this demographic shift and the potential impact it will have on U.S businesses. Some companies may be in for a rude awakening when they are unable to achieve even the most modest of business goals due to drastic staffing and talent shortfalls.

A less visible but no less dangerous problem is the loss of knowledge, or “brain drain,” resulting from senior workers departing the organization without passing on their expertise to others. This lack of knowledge management will place many companies in a position to repeat prior mistakes and expose businesses to additional financial and operational risks. Worse yet, if no action is taken, some organizations could be headed for a point of no return with the complete loss of process knowledge in a few years.

Companies that rely solely on a strategy of outsourcing as a potential solution may be in for a shock as well, as existing sources of talent from offshore labor pools, such as India, Mexico and China, dry up as these countries recognize their own needs and provide incentives to retain talent in order to support their own local economic business objectives.

Given this looming demographic shift, the time for corporate leaders to act is now; however, companies must resist the urge to rush ahead without a well-balanced and deliberate approach to managing and leveraging their human capital. Part of the solution may lie with such tools as Six Sigma and Lean. With their focus on process discipline, variation reduction and waste elimination, these tools are well-suited to help companies address this impending crisis.

Six Sigma has long been utilized by organizations to transform manufacturing and transactional processes from art to science by defining and validating key process variables to gain process control and eliminate variation. A key part of this methodology is the capture, transfer and validation of knowledge from process owners, thus making Six Sigma an essential part of any action plan to deal with the dangers of organizational “brain drain.” Companies need to not only view Six Sigma as a tool to drive productivity and service, but also as an essential methodology for critical knowledge management within their organizations. Six Sigma has a built-in tool set that lends itself very nicely to capturing and validating critical process knowledge that may otherwise be lost when key talent departs an organization.

The Lean tool kit can also play an important role in aiding organizations as they deal with this imminent crisis. Lean has a built-in methodology with such tools as “value-stream-mapping” and

“standardized work” that can help organizations identify and eliminate non-value-added processes that waste human capital. Lean, with its focus on waste elimination, is ideal for helping organizations to free up human capital for redeployment. However, Lean will need to move beyond its stereotype as a tool set for only manufacturing and be accepted and applied to transactional processes in order to be an effective tool to mitigate the effects of this impending crisis.

Six Sigma and Lean are only part of the potential solution, providing a proven set of tools that can be part of a broader business talent management strategy. Business leaders will first need to recognize that the short-term solutions of the past will not work and accept that the landscape for talent management will dramatically change, requiring a more balanced and comprehensive solution in order to remain competitive in the coming decades.

About the Author:

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