Key staff: Get the issue new dimensions?

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Key staff failures can cause serious damages to organisations. Processes may be disturbed or even disrupted. In such cases damages of various nature may come up: Efficiency losses since the production of a period is close to worthless (e.g. some determining ingredients are missing), compensation claims are delivered since the customers may be damaged due to late or even no execution of their customer orders and direct cost are imposed on the organisation for external staff or overtime of existing staff to close the gap.
First of all the causes for the existence of key staff should be investigated. Changes in sourcing processes should be taken into account as well. As soon as the causes are known, solutions can be developed. In case a "natural" weakness is discovered a monitoring process should be considered including possibilities to transfer this risk to other parties. Due to the changes in sourcing a need for other risk transfer possibilities may emerge as well.

Causes for key staff failures

Key staff failure is not a god given problem. It is created by the organisation itself, sometimes in full concision of the problem but sometimes without knowing to which risk the organisation is going to be exposed.

First of all some causes (non exhaustive list) for the creation of key staff are discussed:

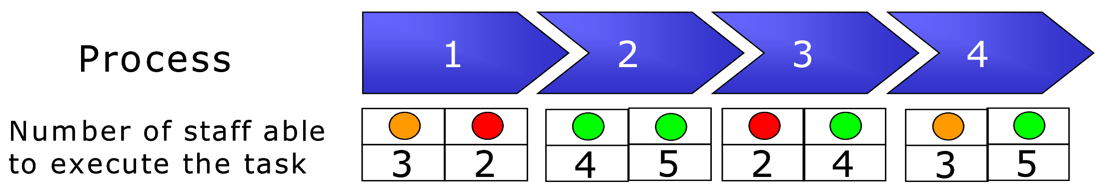
- The tasks to be executed require specialists, which are not plenty available in the market
- Organisational set ups were implemented with some small teams and therefore no back ups exist in case team members are not able to perform their tasks
- Organisations were not willing to invest in staff training (e.g. because of cost reduction programmes) and therefore the knowledge level of people decreased in the organisation
- Organisations did not harvest from their trainee-programmes, since they did not offer their trainees a job.
- Processes were highly automated or otherwise redesigned. Staff changed their role from "doing" to "controlling". In case the automated process disrupts only a very few people know the processes' inside and the remedies for the disruption problem. Even workarounds may only be known by a few staff members (if not just retired)
- Cost cutting programmes required older staff to resign and younger staff to join. Internal knowledge was lost on an average basis.

Beside these causes, which are more or less internal staff oriented, other causes emerge due to other sourcing strategies. Currently some organisations conduct considerable outsourcing activities. Even core activities, which are relevant for the realisation of the strategy targets are outsourced. The main reason for outsourcing is the increased flexibility, since fixed expenses are turned into variable expenses.

Sometimes, however, outsourcing is necessary especially for the smaller companies, since they are not able to keep specialists themselves. This normally starts with the accounting & controlling function, but also consultants play an important role, especially in case of new product development, which is extremely important for the long term survival of such organisations.

The project-based approach in the organisation also creates the situation in which many external staff members join the organisation. Their work is relevant in the project to achieve the project targets. Normally the external project members then leave the organisation and the internal staff members have to ensure that the production works. The knowledge of the external team members is lost.

Key staff failure assessment



Assessment of key staff failures

The first step will be the assessment of the exposure of the organisation to key staff failures. The simplest way is to take the important processes of the organisation and to assess how many staff members are able to perform the tasks in the processes /see picture above). As soon as the number of staff members, who are able to perform the tasks assessed is lower than four the minimum number has been reached.

In case the number is three the organisation is already exposed to risk, since the organisation is depending on one person as soon as one person is on holiday and the other staff member is ill. Below three the number should be indicated as red, since the risk is acute.

As soon as the risk is known, the loss severity should be assessed as well. In this case all loss elements discussed before need to be assessed. The number is normally not discrete, but stochastic. Therefore it may be of interest to determine a typical loss and a severe loss.

The frequency is not discrete either. In the assessment the frequency of a key staff failure causing a loss should be assessed as well.

The values for the frequency and the loss severity are then combined and show the potential loss in Euro. As soon as this value is known, the benchmark for actions has been set.

The higher the loss, the more budget for actions to be taken should be available. Sometimes organisations have to rely on people and cannot afford additional staff. However, the tasks they perform, are significantly contributing to the organisation’s success. The organisation may like to go other ways to protect itself against such risks, by joining a consortium of experts which can replace the internal staff member or the external staff member hired, to continue the process as good as possible. Damages can be significantly reduced by such actions. This assumption, which seems logical will need to be proven in the practice.

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