

Dealing with Succession Planning

SPECIAL SECTION

Succession Planning NOW, Say Colorado Municipal Executives

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- **CPS Human Resources Services** study and case studies on succession planning for government: <http://www.cps.ca.gov/> then click on link to download a free copy of the "leadership pipeline research study."
- **"Building the Leadership Core"** a program presented at the American Public Works Association International Congress, developed by Keith Reester, City of Loveland, and available at www.coloapwa.org or www.cityofloveland.org.

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Keith Reester, Mike Braaten

In the coming years, local governments in Colorado and across the nation will come to the realization that many of their senior-level department heads and other executives will be retiring soon and little to no planning has been done to develop new leadership to fill their shoes.

The retirement of the baby-boom generation, those born approximately 1946 to 1964, likely will leave the government sector scrambling to fill leadership positions with knowledgeable, talented people, unless those currently in leadership have prepared for the exodus through succession planning.

Demographics to Consider

More than 40 percent of the existing national labor force is comprised of individuals generally classified as members of the "boomer" generation. Most in this generation are expected to begin retiring by the end of the decade.

As the boomers retire, the number of available workers between the ages of 35 and 44 with the experience and skills to fill the expected vacancies will decrease by 10 percent. In government specifically, more than 46 percent of the existing state and local government workforce is currently 45 or older.

In Colorado, according to the state demographer, more than 30 percent of the state's population fits into the baby-boomer group and, in 2000, Colorado as a whole ranked sixth in the nation for proportion of baby boomers. Over the next decade the number of boomers will grow about three times faster than the expected overall population growth rate of the state.

The Denver metro area is in a unique position compared to other markets nationally. According to a multimarket Scarborough Report, 40 percent of adults in the metro area fit between the ages of 40 and 59. That is the highest percentage of baby boomers of any major metropolitan area in the nation.

To many educated young professionals, Colorado is an attractive state. It has historically imported much of its talent. Given the expected reduction in the labor market upon retirement of the baby boomer generation, the state will be competing in a much different labor market than before and succession planning will help mitigate negative effects that could result.

What is Succession Planning?

Succession planning takes on many forms. For some jurisdictions, succession planning means an advertisement in the newspaper to fill a high-level vacancy, for others and for purposes of this article, it is a deliberate process of identifying and preparing employees for future leadership roles within the organization. This can be accomplished through a variety of methods including additional training and education, mentoring and cross-training of duties and responsibilities.

Why Important?

The federal government's office of personnel management states that making

succession planning a priority promotes better employee retention and satisfaction, spells out goals and recognizes personal achievements, improves preparation for leadership and enhances employees' commitment to the organization. Additionally, the municipality or organization becomes known as a great place to work and filling future vacancies with qualified people becomes easier.

Coping with a Changing Labor Market

Historically, local governments have moved existing "middle managers" into positions of leadership when a vacancy occurs. Unfortunately, with ever-shrinking government budgets and streamlining of duties, most of those middle-managers have been eliminated and with them have gone many likely replacements.

Another common reaction to filling vacancies is to poach seasoned employees from other jurisdictions, creating a costly vicious circle of vacancies and operating interruptions. Succession planning can help fill voids left by employees moving on or retiring talent by developing employees within an organization for future responsibilities.

CML Surveys Membership on Succession Planning

In a recent nonscientific survey of municipal staff and elected officials conducted by the Colorado Municipal League (CML), more than 60 public executives from across the state offered their insights on this tough topic. Overwhelmingly respondents believed this is a critical issue facing municipalities today, but most offered a glimpse into the malaise that local governments encounter in addressing the challenge.

When posed with the question of how well their organization is handling succession planning for the executive levels of leadership two-thirds (66 percent) responded poor or fair; this is especially scary when 68 percent offered that at least 25 percent or more of their executive staff is within 10 years of retirement, with nearly 30 percent over half.

In looking at the issue, most survey respondents observed that five primary factors (ranked as #1 or 2) are contributing to the problem of building a quality succession-planning program:

- Bigger priorities on the horizon every day, it's easier and more urgent to deal with today than build your team for tomorrow (70 percent)
- Lack of money to support a program (32 percent)
- Lack of knowledge of the issue among both career professionals and elected officials (33 percent)
- Organizational streamlining has created a time-constrained atmosphere where there is little time to invest in professional development (36 percent)
- Compensation and benefits for public sector executives is lagging substantially and likely successors will seek other opportunities in the nonprofit or private sector (33 percent).

So how does this equate to action in our municipal organizations? It typically doesn't. When asked to rate their organizations level of commitment through certain activities that are key components of a succession-planning program, most organizations failed.

For example, fewer than 25 percent stated that each executive has a defined personal development plan; while 85 percent responded that there was no defined succession plan in place. The concern for development of the next generation of leaders also was affected as 84 percent indicated that no assessments of current "skill packages" had been completed, and only 25 percent listed senior-level executives as being required to mentor or coach developing managers and leaders.

Now one would think that—with all those doom-and-gloom responses—municipalities are "in a world of hurt" in the next decade. In fact, more than half the survey respondents are retiring in the next 10 years, but there is hope. In looking across the responses, it is clear that several organizations are committed to succession planning and building their future leaders, this gives hope that we can learn from our peers. The survey also provided insights into what organizations like CML and others can do to aid in addressing the critical issues we all will face.

- First, we can learn from ourselves, there are organizations and professionals who can help us help ourselves, lets work to build a learning framework. Suggestions included development of a best-practices database and resource list to aid local communities in developing succession planning. Many respondents felt that their current leaders "lacked the knowledge and skills to successfully develop the next generation." As leaders we also need to begin asking the question of our peers, "Are you succession planning? Can you help me be more successful at it in our organization?"
- Education of elected officials and potential recruits to the field. Many respondents noted that joining the public sector as a high-level executive is not terribly appealing to younger sectors of the workforce. One leader noted "Councils are quick to criticize and slow to praise," while another listed "they've seen the political abuse their bosses take, it's not worth it;" these are symptoms of why talented managers and leaders seek opportunities elsewhere.

CEO-level executives in any organization understand the risks of their job security, but upsides are far fewer in the public sector, this education is necessary across many levels of executive leadership. If communities seek to attract high-level talent, with great problem-solving skills, the ability to envision a future for the community, and execute in the public and media eye, compensation and rewards will need to be commensurate with the risks.

- Commit NOW to succession planning. Just like any successful program, time

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Designing a Practical Succession Planning Program

James P. Flynn

Concerns over an aging workforce, dread at the loss of critical institutional knowledge, or the need to prepare the next generation of leaders. Any of these challenges (and there certainly may be others) can be reason enough to pursue a succession planning program.

But before embarking on such a critical and time consuming process, you may want to consider some not-so-random-reflections gleaned from a year-long research project to formulate recommendations for a succession planning program requested by one of our state's largest departments. As project leader for a research team from the University of Delaware's Institute for Public Administration (IPA), I coordinated the staff and students that conducted dozens of interviews and reviewed hundreds of documents as part of that effort.

Over the past decade, succession planning has gained increased visibility both as an enlightened management practice meant to strengthen an organization's human capital investment and as a long-term, strategically based transformation method linked to workforce planning. Yet, the purposes, processes, and components of succession planning programs may be confusing—even counterproductive—if not considered carefully.

Of Course We Want a Succession Plan

An old adage states "If you don't know where you're going, you'll never know when you get there". Our interviews uncovered four distinct interpretations of what succession planning should achieve:

- **Replacement Planning**—Emphasis on narrowly defined searches to fill critical positions which are, or soon would be, vacant.
- **Development Planning**—Emphasis on identifying and preparing a small group of high potential individuals to be available when/if critical vacancies occurred. The process for identifying these individuals might be secretive and the staff development strategies could involve only senior managers.
- **Talent Pool Planning**—Emphasis on considering strategic goals, customer expectations and the need for evolving critical skill sets. Often entails a broad-based program to develop and maintain a "pool" of high-potential generalists to meet anticipated needs over the long-term.
- **Knowledge Transfer Planning**—Emphasis on determining critical knowledge nodes, operational practices, cultural attributes or institutional memory that must be documented and preserved in spite of staff departures.

Obviously, differing interpretations of succession planning can lead to differing

expectations. Make sure those involved in your succession planning efforts agree on desired outcomes. Mission, values, past practice, customer/client expectations and the dynamics within your human capital system can all impact these considerations.

Can't We Copy a Corporate Model?

Our IPA research team frequently noted major differences in the structure and operation of succession planning programs between the for-profit and not-for-profit sectors. This was particularly evident with corporate models where decisions about who would be selected, how they would be prepared, and when they would be promoted were made with a lack of transparency not common in the public sector.

Several points are worth noting, when contrasting succession planning frameworks:

- **No Bottom Line Directive**—While sensitive to citizen expectations for efficient and effective use of resources, public sector management is not pre-occupied with increasing market share or maximizing profits. However, public pressure and political expediencies certainly influence setting agency budgets, implementing operating

guidelines, or assigning workers. Such roadblocks make sustaining an effective succession planning program more challenging.

- **Different Actors Influence Decision-Making**—Multiple constituencies (e.g., citizens, elected officials, labor leaders, etc) expect—even demand—to be a party to any human resource management actions that may result in promotions, transfers or other opportunities for advancement. Corporate models, generally, are far more circumscribed and less egalitarian.
- **Different Value Sets Influence Decision-Making**—Emphasis on workplace diversity (race, gender, ethnicity, etc) or social equity are critical values which cannot be ignored when creating a public-sector succession planning model.

The realities of a workforce operationalized through a traditional merit system or collective bargaining agreement can result in human resource practices that might frustrate a for-profit succession planning program, and these constraints should not be ignored. Considering only for-profit succession planning models won't expose those differences.

See PRACTICAL PLANNING, pg. 6

A Little Planning Goes a Long Way

From COLORADO, pg. 3

and resources are necessary for success. The current executive leadership must commit to making executive development a critical priority, and building an attitude of development for the organization not development of "entitled heirs." If you need, help call upon organizations like CML or ICMA and ask for contacts of organizations that are doing it well, in CML's experience your peers will be glad to share their knowledge so you don't have to recreate the wheel.

How to start

Just like any task, gather some resources and do some home work. Developing a succession-planning program and changing the organizational culture and paradigm will take time. Shari Caudron in "The Looming Leadership Crisis" www.workforce.com notes some basic steps:

- Analyze organizational and leadership needs—examine major issues and leadership needs facing the organization and formulate goals and strategies to manage identified issues.
- Generate a list of competencies—what type of leadership will be needed to accomplish the identified goals and strategies.
- Assess internal talent and identify gaps—Identify the attributes and proficiencies required and desired for leaders and compare those qualities against the existing workforce.

- Provide developmental opportunities—compare skill levels and needs against the necessary and desired competencies and provide opportunities for professional development.
- Hold people responsible for professional development—don't make promises or create entitlements. Be sure people understand that they are responsible for the own professional development.
- Adopt and stick to a succession-planning policy.

Most consultants will share that the process of going from "0-60" in succession planning is at a minimum a three-year process, but it can be accomplished with commitment, knowledge, and education. There are many examples of organizations that have done this in-house, with only limited support from the outside, so it can be done.

Look for unique opportunities, can you develop a group of developing leaders across several adjoining municipalities, do you have a staff member who is especially good in this area—make them a "guru" of sorts, seek chances to cross train even in small amounts. As with most things in life, a little planning can go a long way.

Keith Reester is Loveland Public Works director. E-mail: reestk@ci.loveland.co.us

Mike Braaten, intergovernmental affairs specialist for the Colorado Municipal League. E-mail:

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SPECIAL SECTION

Selling Succession Planning: The Role of Human Resources

Arie Isaacson

Headlines forewarning of labor shortages and the pending mass exodus of baby-boomers from the workforce are all around us. Disturbing statistics from various sources document the aging workforce, the high percentage of employees at risk of retiring and the shrinking replacement labor pool. These statistics are particularly alarming for public sector employers. So if this data is distressing, why aren't managers turning human resources searching for the latest succession planning tools?

High turnover and difficult-to-fill positions are nothing new to public sector managers. Also, today's busy manager rarely has enough time to deal with the crisis of the day or current vacant position, let alone taking time to work on planning for predicted vacancies.

After all, they have resolved similar problems in the past, what makes this situation different? The difference is that the future turnover will hit like a tornado affecting all employers with significant vacancies and few replacement candidates. Succession planning provides the tools necessary to combat this storm.

The first step in creating a succession plan is obtaining leadership support. Without this support, succession planning will fail. Building a business case for succession planning is the key. Human Resources has the data necessary to build the business case; it is not new. Gathering and reporting employee data, such as turnover, overtime costs, compensation, length of service, etc. is routine in most organizations.

However, far too often this data is gathered and summarized only to be used to support a specific request or defend a position rather than planning for the future. Providing a comparison of an organization's data against benchmark statistics and or other internal business units provides leadership a specific point of reference and brings focus to a problem—without the right staff, effective performance will not continue.

Once leadership is on board with succession planning, human resources must begin marketing its necessity to managers. The desired end-result is an organization that embraces succession planning and recognizes its value. In order for this to happen, human resources must build a user-friendly, flexible system that will work for the entire organization, a unit within the organization or even specific positions. Done correctly, managers will

become the champions of succession planning working with human resources to develop solutions. Marketing begins with personalizing the frightening headlines of today, by providing managers with enough information to determine if the graying of the American workforce is hype or reality.

In addition to preparing for this eminent twister, another selling feature of succession planning is that it assists organizations with the turnover that has nothing to do with the boomers—the unpredictable turnover. The turnover created by a sudden illness or death, an employee that follows a transferred spouse, an employee that moves to a smaller community in the best interest of her family or the employee that is offered a better opportunity. Being prepared to replace key employees that leave suddenly may be the greatest reason to secure a succession plan. So how does an organization conduct succession planning?

Succession planning is not a one-size fits all proposition. However, each organization must first understand what it entails before beginning its design. Succession planning is a method of identifying key positions in an organization, both present and future, and how organizations will fill these spots when necessary.

These positions are required to preserve and enhance institutional knowledge and ensure continued effective performance. Clearly, key positions exist everywhere in an organization; they should not be reserved for high level leadership positions. Before determining these key positions, management must look at several factors.

The first factor is that management must set its strategic direction. It must also understand that customer expectations, legislation, technology changes, the external environment and the type of work to be done will impact its effort. Shifts in customer expectations and/or technology changes could result in current functions changing or becoming obsolete. New legislation could result in current functions changing or the need for new functions.

Identifying the scope of the effort is also a key factor. The nature and scale of the

focus plays an important role in determining the effort involved. Is the organization focusing on individual key positions, classifications or a classification series? Is the scale geared to a single position, division or agency?

Another critical factor is the demand and supply analysis. Demand analysis outlines the types of people—the competencies, knowledge, skill and abilities and/or titles needed and the number of each type/title needed by function. The supply analysis views the current workforce—the employees' knowledge, skills, abilities and competencies—the current workload and candidate availability.

After comparing the current workforce skills (supply) with the future needs (demand), management must identify the gaps that will likely have the greatest impact on its ability to achieve goals. Once these factors are identified, managers, in partnership with human resources, can begin developing solutions.

Potential solutions may include knowledge transfer, recruitment, retention and staff development. Each organization, after completing an in-depth data analysis, must identify its solutions. Although one solution may be emphasized over another, all solutions must be juggled simultaneously.

For example, an employer concerned with mass retirements may place emphasis on knowledge transfer. This may include developing job aides, documenting procedures, identifying temporary replacements, and/or creating shadow positions. While this is taking place, recruitment, retention and staff development can not suffer.

Increasing participation in job fairs, college fairs, and various associations as well as increasing advertising and marketing improves recruitment success. Recruitment also involves "growing your own" using internships, special assignments, and participating in community college training ventures. Utilizing retirees as another candidate source is also fundamental. While attracting new employees, employ-

See SELLING PLANNING, pg. 10

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Size and Scope of Succession Planning is Important

From PRACTICAL PLANNING, pg. 4

Everyone in the Pool— Who Participates?

Unlike the top-down participant selection practices found in the private sector, our IPA research team consistently found strong employee interest in being able to participate in public-sector succession planning programs. Further, to reduce the appearance of favoritism or political bias in selecting individuals to form a pool of “qualified candidates” self-nomination processes are common.

One state transportation department with a nationally recognized succession planning program utilizes a senior management team to identify critical openings anticipated over the next 18-24 months and determines the competencies that candidates need to successfully fill those vacancies. This information is publicized and eligible employees can respond accordingly. Those not interested are still eligible for other opportunities; including those not part of the succession planning program.

An agency in another state uses a slightly different model. Eligible employees are welcome to apply, but must provide letters of support from their immediate supervisor as well as another manager of equal or higher level. Recommendations from managers outside the unit demonstrate the employee's exposure to, and reputation within, the wider organization.

These expansive participant involvement efforts can be a doubled-edged sword: more prospective future leaders under development, but also more individuals expecting the program to meet their personal career goals. Waiting lists for assessment centers and specialized training programs are not uncommon.

Regardless of the nomination method utilized, participants must agree to be involved in assessment exercises to confirm current competencies and to identify additional skills needing development. Often prior performance evaluation documents do not count, so additional appraisal processes must be launched. Interestingly, some employees not selected to participate in a succession planning program may still wind up in a peripheral role if asked to comment on a co-worker's progress as part of a 360 degree assessment.

Why Do Succession Planning Programs Fail?

In spite of the many positive aspects of succession planning programs, their “success rate” in both sectors is mixed. One GAO report identified these reasons:

- Lack of on-going support and interest from leadership.
- Succession planning is not seen as a priority; funding not sufficient.
- Recruitment and retention, particularly in critical management and technical areas, is perceived to be sufficient to

meet organizational needs.

- Resistance from middle managers who already feel overburdened with other “initiatives” not central to their job responsibilities.
- Employee suspicion toward unsure program goals; poor communications.
- Organization is too small to sustain a full-scale program.

Typically, the rationale for developing a succession planning program has been tied to sustaining organizational leadership, addressing the loss of critical staff from high turnover or service retirements, preparing less experienced workers, achieving greater workforce diversity, or preserving institutional knowledge and values.

A common challenge for organizations considering or initiating a succession planning program is to carefully choose the size and scope of that effort. Attempting to tackle all of the elements listed above may prove overwhelming; trying to copy a corporate model may prove naive. Succession planning implementation schemes must strike a balance between leadership commitment, strategic goals, organization needs, resource availability, participant trust, and accountability for results over the long haul.

James P. Flynn is director of the MPA Program and teaches courses in human resource management in the School of Urban Affairs & Public Policy, University of Delaware. E-mail: jflynn@udel.edu

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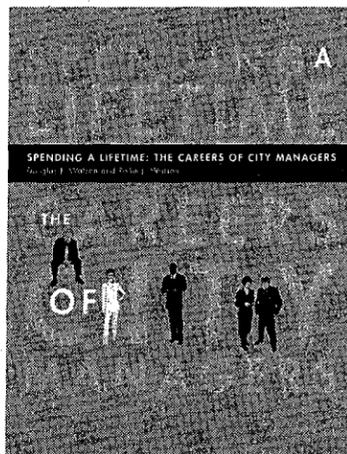
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The Authors. Douglas J. Watson is professor and director of graduate programs in public affairs at the University of Texas at Dallas and was manager of the City of Auburn, Alabama, from 1982-2003. Rollin J. Watson has held a number of teaching and administrative posts in higher education and served as president of two colleges.

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