

SUCCESSION PLANNING: TOOL FOR SUCCESS

“Should you care?”

If yes,

“What do you need to know?”

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Should you care? – YES!

- Baby Boomers are aging and what happens when they retire?
 - Who takes their place?
 - How will organizations continue to prosper?
 - What kind of legacy will you leave when you retire?

What do you need to know?

➤ Public & Private Sector Problem

- Only 45% of companies worth \$1 million or more have succession plans, yet 20% of executives are eligible for retirement.
- In Federal Government more than 1/3 of workforce is eligible for retirement.
 - ✓ GAO estimates 1/2 of SES employed in 2000 will be retired by 2007.
 - ✓ OPM's Director says impending retirement is a "Tsunami."

➤ **State and Local Government**

- With 40 million baby boomers between the age of 55 to 69 years old, problems are similar for state and local governments.
- State and local government “knowledge workers” are 45 and older.
- And, more than 40% will be eligible to retire in the next 10 years.

➤ **Some professions are particularly affected, including accounting.**

- Average age of accounting and auditing executives is over 50 years old.

➤ **So, hopefully you see that the need is real and you have a role to play because:**

- 1) Top organizational leaders must be personally involved and deeply committed
- 2) Succession programs must be “owned” by line managers
- 3) Senior leaders identify developmental goals and hold all managers and supervisors accountable

➤ **Why Audit Executives and Managers Should be Concerned with Succession Planning**

- Developing an organization that transcends current leadership
- Generating a “return on investment,” e.g. improved morale, reduced turnover, lowered training and living costs
- Creating a legacy to celebrate one’s public service career.

➤ **Importance of Audit Executive's Legacy of Succession Planning**

- Although not emphasized in the literature, I believe this is very important
- Should you think “strategically” or just let the next leader deal with it?
- You have invested years of your careers in public service, and assuring the continuation of what you have strived to achieve is the kind of legacy to be proud of.

➤ **So, how do you go about doing this?**

- The simple “lose one, fill one” approach does not work.
- Good succession planning incorporates recruitment, retention and career development at all levels.
- Succession planning ensures that there are highly qualified people in all positions, not just today, but tomorrow, next year, and five years from now.

➤ **A comprehensive succession strategy includes:**

- Making succession management part of an overall drive to career development at all levels.
- Requiring the ongoing commitment of high-level management.
- Developing leadership skills, and the quantity of management talent required, as dictated by an organizational strategy.

- Defining the specific behaviors, skills and values that leaders need in order for them to now and in the future in that organization.
- Creating assessment centers, tests, interviews and performance-appraisals to allow an organization to make accurate leadership placement and development decisions.
- Integrating succession management with recruiting, selection, retention and development system.

➤ **GAO found best practices in managing succession planning throughout the world.**

These practices include:

- Receive active support of top leadership
- Link to strategic planning
- Identify talent from multiple organizational levels, early in careers, or with critical skills
- Emphasize developmental assignments in addition to formal training
- Address specific human capital challenges, such as diversity, leadership capacity, and retention
- Facilitate broader transformation efforts (change agents)

➤ **Three of these practices offer particular challenges.**

They are:

- Identification of talent early in careers
- Emphasize “developmental” assignments in addition to formal training
- Address human capital challenges, e.g. diversity, leadership and retention

- **Pitfalls to avoid in early identification of “management” potential**
- Crossing swords with long established civil service rules and regulations
 - Impact on “non-selectees” and their retention—losing technical skills
 - Early or late bloomers
 - Peter Principle – “Promoted to the level of incompetency”
– Dr. Lawrence Peter - 1968

➤ **Human Resource Role in Succession Planning**

- Is your HR function capable of assuming the role of a key partner in the process?
 - Federal Government OPM has a long standing role in helping various federal departments, e.g. IRS, USDA, WAPA
 - State and local government HR functions may vary in capability and capacity to help.
- Thinking “outside the box” is needed to offer the range of incentives and benefits needed for developing, training and retaining key staff and managers
 - Some civil service rules may hinder creative solutions
- Challenges of political appointments

➤ Some Specific Tools Used

- Reemployed annuitants to facilitate knowledge transfer
 - LA Fire and Police DROP (Deferred Retirement Option Plan)
 - Gubernatorial Transition Team use of California-like retired annuitant plan (960 hrs./yr. max)
- Storytelling techniques and sharing “lessons learned” as a means of exchanging tacit knowledge (before and after transition)
- Aggressive recruiting campaigns demonstrating values/benefits of government careers
- Creating specialized training academies like the Texas Fiscal Officers Academy
- Establishing a “succession room” with graphic representation of current and future job openings

➤ **Some Specific Tools Used (cont.)**

- Reducing workweek of potential retirees to extend careers
- Cross-organizational assignments (e.g. financial audit versus performance audit) to “challenge” employee while expanding their competencies.
- Establishing an “emerging leaders” program for middle managers
- Creating a succession planning team including:
 - Administrator (Line Executive)
 - Legal Counsel
 - HR Manager
 - Selected Line Managers

➤ Some Specific Tools Used (cont.)

- Linking competencies to variable pay or bonuses
 - At-will vs. civil service employees
- Individual development plans
 - Identify strengths and areas for career training and development
- Evaluating “Bench Strengths” including:
 1. Business acumen
 2. Technical credibility
 3. Influencing/negotiating
 4. Group Leadership
 5. Communication
 6. Developing others

In summary, what should be derived from a good succession plan?

We hope they:

- Ensure that employees are prepared and trained for the job and responsibilities of the future.
- Provide growth opportunities that help motivate and retain current employees. Shifting the idea from job progression to job expansion.
- Allow for the transfer of knowledge from key people in the organization to their successors using techniques such as mentoring and on-the-job training.
- Reduce workload of other team members who normally would have to pick up duties until the new incumbent is up-to-speed.
- Reduce the manager's time spent in assisting new incumbent becoming proficient.

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