

Succession Management Developing the next generation of Federal leaders



The Case for Succession Management

Succession management is the process by which organizations identify candidates early on and develop them to fill leadership roles.

Effective succession management can provide organizations with an improved ability to maintain continuity of operations during leadership transitions with minimal disruption, delivering benefits to both individual employees by preparing them to be strong leaders, as well as to organizations by facilitating smooth leadership transitions.

Investing in succession management practices is more important today than ever in the Federal government, considering low employee engagement scores and a wave of impending retirements among many supervisors and managers.

Decreasing Federal employee engagement, coupled with the anticipated retirement wave of Baby Boomer leaders, can call for Federal agencies to implement strong succession management strategies that are integrated with their mission and other talent management processes. A strong succession management strategy can help Federal agencies maintain continuity of critical operations and knowledge transfer during leadership changes.

According to the 2015 Federal Employee Viewpoint Survey (FEVS),¹ low employee engagement and commitment remains a challenge for many Federal agencies, despite a government-wide improvements over 2014. With a government-wide employee engagement score of 64 out of 100—agencies have a lot of work to do to improve morale and retention, especially among millennials and other workers who are becoming and will be future leaders across the Federal government. Organizations with well-defined succession management practices realize significant employee engagement and retention gains, due to transparency in career paths and

¹ Federal Employee View Point Survey Results, Office of Personnel Management, http://www.fedview.opm.gov/2015FILES/2015_FEVS_Gwide_Final_Report.PDF.

development opportunities, as well as more preparation time for leadership roles.² Bersin by Deloitte research shows that organizations with mature succession management practices can expect to be two times more effective at improving overall employee engagement and 1.7 times more effective at improving the retention of high performing employees.³

Additionally, approximately one-third of the Federal workforce will reach retirement eligibility by 2016.⁴ Combine this with the fact that 32% of federal supervisors are 55 years or older as of March 2015,⁵ and it is evident that Federal agencies are likely facing a potential leadership crisis. Organizations who effectively implement succession management practices can mitigate the challenges presented by mass leadership turnover by preparing a cadre of potential leaders with the skills and experience required to make a smooth leadership transition. Unfortunately, many organizations, including private sector companies, still struggle to implement strong strategies to develop future leaders from within and build a sustainable leadership pipeline.⁶ In a 2015 talent survey by Deloitte, leadership was ranked as the talent area with the largest gap in terms of importance versus readiness, with 42% of organizations reporting they are: “somewhat ready to address” leadership challenges—the second lowest rating on a four-point scale.⁷

These two challenges—low employee engagement and the impending retirement wave—are inextricably linked, as strong leaders and supervisors are an important driver of employee engagement. Therefore, it is more important than ever that Federal agencies implement strong succession management strategies to mitigate this compounding problem. Succession management can help agencies develop and implement strategies for filling these leadership positions with the strongest candidates ready to act from day one while minimizing impact to continuity of operations.

While many Federal organizations recognize the need for stronger succession management practices, many need additional capabilities to establish an effective succession management plan to get started. An effective approach integrates succession management into a larger talent management strategy and incorporates workforce analytics, training leading practices, and retention motivators.

This paper provides Federal agencies with a five-step approach to help initiate succession management efforts, as well as detailed considerations regarding the approach and metrics to assess the leadership pipeline and overarching principles to guide the end-to-end implementation of effective succession management programs with the goal to decrease transition time, drive employee engagement, and maintain continuity of operations.

Approach for Implementing Succession Management

While succession management can apply to various critical workforce segments, to increase leadership pipeline or “bench strength,” Federal organizations should consider adopting a systematic approach that starts with assessing succession requirements and culminates with implementing effective development programs for emerging leaders.

Assessing bench strength is important in identifying the capabilities of high potential employees and can help inform development plans to continue building leadership skills. Often times, building bench strength is considered as an HR transactional activity to fill a specific vacancy

² Bersin by Deloitte. “Bersin by Deloitte Research: Effective Succession Management Tied to Strong Employee Engagement and Retention.” Bersin. 13 Nov. 2014. <http://www.bersin.com/News/Content.aspx?id=18045>.

³ Bersin by Deloitte, Deloitte Consulting LLP / Kim Lamoureux, Ph.D, High-Impact Succession Management: Key Findings and Maturity Model, November 2014.

⁴ Rein, Lisa. “Wave of Retirements Hitting Federal Workforce.” Washington Post, August 26, 2013.

⁵ Office of Personnel Management, FedScope Database Employment, March 2015.

⁶ Bersin, Josh, Dimple Agarwal, Bill Pelster, and Jeff Schwartz. “Global Human Capital Trends 2015.” Deloitte University Press. http://d2mtr37y39tpbu.cloudfront.net/wp-content/uploads/2015/02/DUP_GlobalHumanCapitalTrends2015.pdf. ⁷ Ibid.

rather than a strategic, enterprise-wide function focused on identifying and preparing the leaders who set the direction and vision for an organization.⁸ It is important that senior leadership, HR, and other business units work together to develop an integrated succession management solution that addresses enterprise-wide requirements.

To understand the current leadership pipeline and create a plan to improve bench strength, organizations may consider a high-impact, five-part succession management process, as outlined in Figure 1:



Figure 1. High-Impact, Five-Part Succession Management Process

Step 1: Assess Demand

While succession management efforts can target various mission critical positions, it is recommended to first target leadership roles and functions that are critical to meeting mission requirements because they drive a disproportionate share of mission outcomes and are typically in short supply from the respective labor market. A more focused approach to understanding critical workforce segments and related leadership roles provides greater returns to succession management investments. Part of assessing demand is also understanding employee expectations for effective leadership using ratings and insights from FEVS, generational perspectives across federal workforce, and leading practices. These additional data points provide additional insights for defining successors “profiles.”

Step 2: Assess Supply

Workforce analytics can reveal important information about the composition, structure, performance, and capabilities of current leadership workforce segments, as well the current pipeline of future leaders and cultural “footprint” of an organization. This analysis includes workforce demographics characteristics (e.g., supervisory status, retirement eligibility, workforce age groups, attrition rate, pay grade, tenure, and performance ratings), as well as the availability of desired leadership skills within the organization and core leadership capabilities, as defined by the Office of Personnel Management (OPM),⁹ within the current workforce. Additional analysis may identify essential aspects of organizational culture, norms, and collaboration structures that contribute to achieving the agency’s mission.

Step 3: Identify Gaps

In order to identify gaps, organizations should consider comparing the current state capabilities of the workforce against the future mission requirements. Examples of gaps can include: prioritizing segments with the workforce where there is a higher risk of imminent leadership retirement or attrition; emergence of new leadership skills needed in an organization (such as specific technical knowledge); and identification of specific skill gaps in certain areas.

⁸ Partnership for Public Service and McKinsey & Company. "Building the Leadership Bench: Developing a Talent Pipeline for the Senior Executive Service." Partnership for Public Service, July 2013.

⁹ "Assessment & Evaluation Leadership Assessments." *U.S. Office of Personnel Management*. <https://www.opm.gov/services-for-agencies/assessment-evaluation/leadership-assessments/>.

Step 4: Design Action Plan

After identifying specific gaps, organizations should consider creating a succession management plan to address capability and resource requirements through training and development programs. Development programs need to focus on building core leadership skills within the workforce and transferring institutional knowledge to emerging leaders.

These programs may consist of a blend of immersive learning, formal classroom training, informal training, as well as mentoring, coaching and job shadowing as outlined in Figure 2. In addition to these traditional approaches, agencies may consider new programs, such as the recently adopted phased retirement program due to its ability to

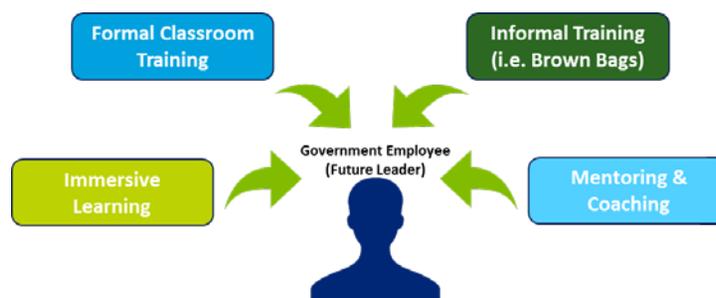


Figure 2. Deloitte's Approach to Integrated Talent Management

engage current retirement eligible leaders in the preparation of future successors. OPM issued its final phased retirement regulations in November 2014, stating that eligible employees may work on a part-time basis and spend a minimum of 20% of their hours on mentoring younger staff.¹⁰ Agencies that implement this new program can realize significant knowledge transfer and retention of critical skills. In addition, agencies can build a rotation program for SES as a way to facilitate career executive continuity between administrations and cross-pollinate skills as outlined in the December 2015 Executive Order: Strengthening the Senior Executive Service.¹¹

Step 5: Track and Analyze Output

Periodic assessments evaluate progress in building bench strength within the organization. This requires determining metrics to both identify progress with the implementation of succession management programs (e.g., size of pipeline, number of development programs, and customer feedback for various training and development programs) and recognize successes (e.g., average historical time to fill in a vacant leadership role and time to transition to new leadership role).

Notional Example of Applying Succession Management Approach

A Federal agency is concerned about a potential hiring freeze due to budget cuts. This measure will impact future plans to bring new staff on board. Senior management asks the head of HR to provide workforce data analyses based on personnel data available in the agency's Human Resources Information System (HRIS). The analysis reveals that more than half of senior leadership and management staff will be eligible for retirement over the next three years. In addition, the findings reveal that the impact of retirements within senior leadership and management will translate into significant delays in rolling out new transformational projects, jeopardizing an important component of the agency's mission. Furthermore, external hiring is no longer a possibility due to hiring freezes, current discussions are focused on understanding how many existing middle managers will be ready to replace those retirement-eligible senior leaders in the near future. The senior management team appoints an executive sponsor from a Mission-focused function to lead this effort and signs a memorandum to stand up a tiger team, composed of Federal employees at different levels from various parts of the agency. The tiger team's

¹⁰ Phased Retirement." U.S. Office of Personnel Management. <https://www.opm.gov/retirement-services/phased-retirement/>.

¹¹ Executive Order: Strengthening the Senior Executive Service, December 15, 2015. *White House*. <https://www.whitehouse.gov/the-press-office/2015/12/15/executive-order-strengthening-senior-executive-service>. [Last accessed December 16, 2015].

mandate is to work with the senior management and business units to define and implement a succession management strategy to address the impending leadership retirement issue.

Table 1 walks through an example of effective succession management in a Federal organization using the five-part approach discussed in the previous section.

Table 1: Succession Management Multi-Phase Approach—Example

	Demand	Supply	Identification	Action	Output
Action	<ul style="list-style-type: none"> Conduct interviews with senior management and other business unit leaders to determine the critical leadership roles and required competencies within the organization Gather information on emerging trends and priorities that may impact the mission and future leadership priorities 	<ul style="list-style-type: none"> Review the agency's data related to annual review assessments on employee performance and potential to lead at the next leadership level Coordinate with HR to conduct a competency assessment Identify a pool of potential successors for senior leadership based on their high performance and potential as well as a skill analysis 	<ul style="list-style-type: none"> Meet with the executive sponsor and senior management to share findings Discuss a plan to address the leadership skills gaps that can be developed internally Receive senior management approval of the plan 	<ul style="list-style-type: none"> Coordinate with the Talent Development Unit within HR and other business units across the agency to identify existing training courses and industry leading practices for leadership development programs Work with the Talent Development team and senior management to create a leadership development action plan targeting supervisors 	<ul style="list-style-type: none"> Review the action plan on a regular basis to assess talent readiness and report findings to senior sponsors and senior management to identify milestones and risks and hold those with specific responsibilities accountable for developing talent
Benefit	Aligns mission requirements and succession management strategies with the identified mission critical roles and functions within the organization	Provides a baseline of the current workforce capabilities based on demographics and assessment data	Increases stakeholder awareness of the gaps and gets the organization to think strategically about meeting future requirements	Encourages a collaborative approach towards succession management which is integrated into the organization's talent development strategy	Measures the succession management strategy against organizational goals on a regular basis and allows for readjustment as required

Guiding Principles of Effective Succession Management

The following four principles can guide the implementation of effective succession management programs:

Lead from the Top. Senior leaders across the organization, including specific members of the executive team, as well as the HR department, need to be personally involved during the lifecycle of a succession management strategy, from planning to execution and monitoring. Senior leaders provide perspectives from their own experience and business insights that are important in identifying future leaders. The succession management strategy should determine how the organization will encourage high visibility of senior leaders' buy-in and commitment for growing future leaders. In addition, organizations should consider strategies to work with current leaders who may be resistant to succession management efforts, possibly due to shortage of resources to develop employees (e.g., budget and time).

Integrate with Talent Strategy. Effective succession management practices cannot be developed in siloes as stand-alone HR programs, but need to be integrated within an agency's wider talent management strategy to align with workforce planning, skills gap assessments, hiring, learning and development, performance management, engagement, and retention strategies. For instance, a strong succession management process may include regular assessments of the workforce to identify the size of the leadership pipeline, potential critical skills gaps, performance management metrics for emerging leaders, and diversified development opportunities to include: job assignments, on-the-job coaching, training sessions, mentoring, self-study, job shadowing, and task force assignments for future leaders.

Figure 3¹² illustrates Deloitte's approach to succession management using an integrated talent management framework where succession planning is directly linked to sourcing and recruiting, talent strategy and planning, performance management, as well as compensation. Competency management sits at the center of this framework, highlighting the criticality of developing mission-critical leadership competencies.

Leverage Data and Analytics. In order to determine succession management strategies, Federal agencies should consider deploying workforce analytics to review data about attrition, performance, and skills gap assessment. Predictive analytics can help identify potential leadership vacancies before they happen, as well as potential eligible employees to be included in the leadership pipeline. Additionally, organizations may consider analyzing how projected changes in an agency's mission requirements or changes in technology or other external trends may influence the scope of future leadership competencies.



Figure 3. Deloitte's Approach to Integrated Talent Management

Execute and Evaluate Continuously. Succession management is an ongoing effort rather than a one-time effort. Federal agencies should consider a plan to manage successors periodically to determine relevance for current and future organizational priorities. The succession management strategy should be flexible enough to be refined and adjusted to accommodate changes in the market, organization, or people.

Conclusion

Succession management supports organizations in developing their workforce pipeline, especially future leaders from within, while minimizing transition time, decreasing the likelihood of a disruption in operations, increasing employee engagement, and reducing costs associated with recruiting and external hiring. The steps outlined in Deloitte's five-part succession management process can help agencies identify high potential candidates and improve the leadership pipeline. In order to develop effective succession management practices that can develop future leaders, agencies should have a strategic focus and an integrated talent management framework to get leadership buy-in and integrate with the mission.

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¹² Bersin by Deloitte. "Integrated Talent Management Methodology."

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