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**BEFORE THE  
COMMITTEE ON GOVERNMENT REFORM  
SUBCOMMITTEE ON CIVIL SERVICE  
AND AGENCY ORGANIZATION  
U.S. HOUSE OF REPRESENTATIVES**

**JO ANN DAVIS, CHAIR**

**OCTOBER 1, 2003**

Over the next decade, a combination of internal and external events will demand that federal agencies make succession planning a focal point and fundamental tool for assuring that they have the leadership and general workforce needed to carry out the business of government and their varied mandates to provide high quality service to American citizens. These events include:

- About 15 percent of the federal workforce will retire from 2001 to 2006, and more than half of all members of the Senior Executive Service employed by the government in 2000 will have left by 2007. (GAO Report 03-914)
- The world of work is changing at an increasingly rapid pace. The competent workforce of today is not necessarily the competent workforce of tomorrow.
- Assuming an expanding economy, the competition for well-qualified staff will take place within a shrinking labor force. To compete effectively for talent, public agencies must know *what* talent is needed, *when* it is needed and *where* it is needed.
- The realities of terrorism are redefining the nation's immigration policies, which have enhanced the available citizen labor pool.
- The competence needed in our leaders and the general workforce is not inherently advanced nor fully developed within the workforce. These competencies must be identified based upon an organization's strategic goals and outcomes and then developed through a series of well planned and orchestrated assignments, developmental opportunities, formal training events and actual on-the-job experiences.

Since 1992, the National Academy of Public Administration has published a number of studies that have identified succession planning as a critical issue for the public sector. This body of research has recommended various solutions that agencies can employ to solve the succession planning needs of public organizations. This testimony provides a summary of the critical issues and solutions identified in this work.

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\* The views expressed in this testimony are those of the presenter, based on a body of research developed by the National Academy of Public Administration. They do not necessarily reflect the views of the Academy as an institution.

The human capital logic model constructed by the Academy, which is depicted below, is predicated on the belief that the value of human capital management programs are in direct relationship to their ability to support an organization's ability to achieve its strategic goals and outcomes. Defining requirements for human capital, acquiring human capital, improving human capital and leveraging human capital all are accomplished in direct relationship to the agency mission and the results that are to be achieved in accomplishing that mission.



### **Paths to Leadership: Executive Succession Planning in the Federal Government.**

In 1992 the Academy published its seminal study, *Paths to Leadership: Executive Succession Planning in the Federal Government*. Most of its findings and conclusions are as relevant today as they were in 1992. The study found that agencies needed a more strategic approach to executive succession planning, which it defined as an integrated process with four basic components, all designed to assure that the organization has the *right* leaders in the *right* place at the *right* time. To accomplish this, an organization's top leadership must be able to:

- Project executive staffing requirements, both qualitatively and quantitatively, in consonance with its overall business or mission strategy.
- Identify individuals ready to move immediately into key positions, as well as those with strong potential to do so after further development.
- Prepare candidates through planned developmental assignments and training.
- Select executives from continually maintained and developed lists, pools and/or cadres.

The Academy report concluded that succession planning has evolved from replacement planning (i.e., where the organizational structure remained relatively static and the key element involved grooming an incumbent's successor) to a comprehensive planning process that has taken on new dimensions. Before managers ever consider replacement issues, they must define key business issues and project critical positions and candidates for the positions, taking into account such issues as readiness and diversity.

Nearly all of the private sector companies that participated in the study integrated succession and business planning. For greater organizational fluidity, they avoided the tendency to fill a position as it has been defined by the incumbent. Instead, vacancies increasingly were used as opportunities to modify or redistribute responsibilities, combine positions, and provide growth opportunities for high-potential individuals.

The Academy Panel overseeing the study found that effective succession planning systems operate in concert with organizational culture and play an important role in maintaining and modifying the culture. Executive selection helps signal to members of an organization what types of actions and behaviors are valued. For example, each organization involved with the study recognized the need for an executive staff that reflected the diversity of the larger population. However, there were great disparities in organizational commitment and effectiveness at increasing representation.

Before an organization can provide the requisite developmental experiences for future leaders, it must identify the characteristics and competencies that executives need to meet the challenges of the next five to 10 years. It also must develop assessment procedures and tools to gain insights into how these individuals will perform. The tools—including assessment centers, simulations, competency survey, and performance appraisals—are used to gauge how well prepared candidates are for management positions. The results augment personal judgments by objectively measuring compatibility between people and organizations, and compatibility between people and specific job requirements.

The report defined executive development as a planned approach that strengthens the skills and capabilities of an organization's future leaders. As with other elements of succession planning, developmental assignments should be made within the context of the strategic plan. Reassignments or rotational details to vacated positions should be used to provide high potential individuals with the opportunities and experiences needed to maintain the success of the organization. These job assignments are augmented by other activities, such as participating on task forces, special projects or action learning teams, formal training and education programs, and mentoring.

The succession planning process requires the support of a technical staff and an administrative process for management information. The Academy Panel found that the organization's human resources management function supplied staff that prepared background material, consulted with senior management, became familiar with high-potential candidates, prepared candidate slates, facilitated executive development activities, and monitored results. Well-designed information management systems are a critical element in successful succession management programs.

Top management leadership and support are critical for effective succession planning. Yet agency, department and, in some cases, bureau heads are political appointees whose relatively short tenure causes recurring leadership discontinuity. This makes it difficult to secure necessary top-level involvement in executive succession planning. Thus, the Academy Panel suggested that agencies' Executive Resources Boards could be key to resolving this dilemma because they are an institutional presence whose membership includes career executives and political appointees who typically interface with top leadership.

### **Managing Succession and Developing Leadership: Growing the Next Generation of Public Service Leaders**

In 1997, an Academy Panel re-examined succession planning and leadership development in its report *Managing Succession and Developing Leadership: Growing the Next Generation of Public Service Leaders*. At that time, the Panel concluded that future leadership was a high priority in the private sector, and that most major corporations had succession programs linked to business plans and leadership development programs. However, the study found that only 28 percent of government respondents in its December 1996 study had or planned to have a succession management program. Forty-two percent had a leadership development program. Eleven percent linked succession/leaders development efforts to the agency's strategic plan. In a time of shrinking resources, only 15 percent protected such efforts as a budget priority.

The 1997 report identified barriers to growing leaders in the public sector. They were organizational culture, low priority given by senior officials, insufficient resources, inadequate rewards for initiative/risk, limited mobility, and lack of role models. It also summarized eight factors common to benchmark succession management and development programs. They included:

- Top organizational leaders are personally involved and deeply committed.
- Succession management processes are relatively simple and flexible, and are integrated with strategic plans to identify and develop leaders who meet evolving organizational needs.
- Succession programs are owned by line managers, supported by human resources staff, integrated into human resources processes, and consistent with the organization's culture.
- A pool of high-potential leaders is identified early and developed, rather than relying on a slate of replacements for current positions.
- Leader competencies are identified and regularly reviewed and updated; candidates are assessed and developed against those competencies.
- Reviews that identify high-potential candidates and developmental measures and assess progress occur regularly and involve all levels of the organization.
- Leader development uses three complementary means: varied job assignments, education/training, and self-development.
- Senior leaders identify developmental goals for individuals and managers, expect them to achieve the goals, and hold them accountable.

In its 1997 study, the Academy Panel, once again, noted that the existence of a large, short-term political cadre is a significant factor affecting the capacity to change to a leadership-centered culture. Given this reality, the Panel suggested that managing succession and developing leaders need to be seen as a primary responsibility of the career SES. This did not imply bypassing political leaders, but meant that initiating a strategic approach to succession and leadership may require a “lead from the middle” strategy.

In addition to integrating succession management into agency strategic planning as required by GPRA, the Academy Panel felt that another key to embedding leader succession was to make it part of many human resource processes. For example, performance evaluations should cover leader competencies with attendant rewards. Recruitment efforts should consider potential, not just suitability for the current job announcements. Developmental opportunities should center on filling gaps in competencies.

The report suggested actions that would affirm government-wide support for building a culture that grows future public sector leaders. Government leaders need to be viewed as “corporate” assets and be identified, selected, developed and assigned with this orientation in mind. Most benchmark organizations view potential leaders as corporate assets to be developed to reinforce the strategic direction of the organization. This is not found to be the case with the federal government’s Senior Executive Service where insufficient emphasis is placed on developing and capitalizing upon this corporate asset within a government-wide framework (Peter Senge, in *Synchronicity*, Joseph Jaworski, (New York, Berrett-Koehler, 1997).

Inculcating the concept of leaders as a corporate resource and instilling true succession management would constitute a significant change within the federal culture, the 1997 study concluded. To lead such a change, an official at the top of the executive branch would be designated. The senior leader would be aided by a central mechanism to identify high-potential leaders, broker developmental assignments, and plan other developmental education and training assignments.

### **Recent Research and Efforts**

In 2003, as part of its examination of the 21<sup>st</sup> Century Manager, the Academy revisited managing succession and developing leadership. The issues of succession planning remain. They encompass not only leaders in organizations, but mission critical occupations and other key positions. In a recent study published by the International Public Management Association for Human Resources, “Managing the Quiet Crisis: Essentials for Building Effective In-House Succession Planning Programs,” Dr. William Rothwell noted that more job openings were expected to result from replacement needs (34.7 million) than from employment growth in the economy (20.3 million) from 1998 to 2008 (“*Managing the Quiet Crisis: Essential for Building Effective In-House Succession Planning Programs*, William J. Rothwell, PhD, SPHR, quoting Douglas Braddock, “Employment Outlook, 1998-2008 – Occupational Employment and Projections to 2008”, Monthly Labor Review, November 1999, pp. 51-77). Rothwell explained almost twice as many job openings occurred from people retiring than from economic expansion simply because the U.S. labor force is growing older.

Dr. Rothwell urged readers to think of establishing systematic succession planning as a long-term culture change that requires a commitment to a long-term strategic view of talent needs. He offered a step-by-step model for doing so:

- **Step One.** Clarify the CEO's expectations and preferences for a succession program. The CEO is the real customer of the effort and must support it even if he or she is not willing to have a hands-on role.
- **Step Two.** Establish a competency model by hierarchical level or department. A competency model is a narrative description of the knowledge, skills, attitudes, and other abilities that lead to exemplary performance. It should provide a blueprint for what talent to build at present and in the future. A recent trend in major corporations is to articulate the organization's value system or code conduct, and rate an individual against these to assess morals.
- **Step Three.** Conduct individualized, multi-rater, full circle assessment (sometimes called 360 degree assessment). The idea is to assess an individual against the competencies required for success in an organization. The results usually are an indication of gaps between competencies an individual currently possesses and what he or she should possess to be successful.
- **Step Four.** Establish (or reengineer) an organizational performance management system that continuously assesses individuals against the competencies linked to exemplary performance in an organization's unique organizational culture. Individuals seldom are eligible for promotion, advancement, or other developmental opportunities if they are not performing successfully in their current jobs. It is essential that the performance management system measures individuals against competencies linked to success.
- **Step Five.** Establish a means to assess individuals for advancement. Unlike performance management, which tends to focus on the past or present, potential assessment focuses on the future. Some means must exist to examine the talent available for future possibilities and advancement. Potential assessment provides such a way.
- **Step Six.** Establish regular, ongoing, individual development planning. Once it is clear what present and future gaps exist for individuals, means should be developed to help them plan to narrow the gaps and prepare them for the future.
- **Step Seven.** Implement individual development plans by establishing in-house leadership and management development programs. Develop competency menus, in print or on-line, that provide specific developmental suggestions for individuals. Examples include books to read, classroom courses to attend, on-line courses in which to participate, on-the-job assignments to seek out, and action learning projects that bring together people to solve business problems and build competence in new areas.
- **Step Eight.** Establish a competency inventory. An organization must have information about its talent inventory so that teams can be marshaled on short notice to fight fires, seize opportunities, or act faster than competitors do.
- **Step Nine.** Establish individual and organizational accountability for a systematic succession planning effort. Individuals and their bosses must be held accountable for cultivating talent and closing developmental gaps. Incentives can help. Individuals and their supervisors can receive bonuses when the former achieve their developmental objectives. Executives, managers, and supervisors must be accountable for cultivating their human talent just as they are for achieving profit or operational goals.

- **Step Ten.** Evaluate the results of the systematic succession planning effort. One way is to solicit periodic executive opinions on how well talent needs are met through the program and to make modifications based upon that feedback.

Dr. Rothwell wrote that human resources practitioners play a critically important role in succession planning. Most succession plans require individuals to develop themselves to bring their competencies into alignment with those for future success. Selection and training are ways to do that. Human resources practitioners, functioning as performance consultants or human performance improvement consultants, should counsel individuals on how to improve for the future, and counsel senior executives on how to coach others.

As part of the President's Management Agenda, the Office of Personnel Management (OPM) leads the federal government's strategic management of human capital initiative. Creating a more effective government depends on attracting, developing, and retaining quality employees from diverse backgrounds and ensuring that they perform at high levels. Sound human capital investment is essential.

OPM recently collaborated with OMB and GAO to develop a comprehensive human capital framework. The Human Capital Assessment and Accountability Framework list six standards for success:

- **Strategic Alignment.** An agency's human capital strategy is aligned with mission, goals, and organizational objectives and integrated into its strategic plans, performance plans, and budgets.
- **Workforce Planning and Deployment.** An agency is citizen centered, de-layered, and mission focused and leverages e-government and competitive sourcing.
- **Leadership and Knowledge Management.** Agency leaders and managers effectively manage performance, ensure continuity of leadership, and sustain a learning environment that drives continuous improvement in performance.
- **Results Oriented Performance Culture.** An agency has a diverse, results oriented, high performing workforce, and a performance management system that effectively differentiates between high and low performance and links individual/team/unit performance to organizational goals and desired results.
- **Talent.** An agency has closed most mission-critical skills, knowledge, and competency gaps and deficiencies, and has made meaningful progress toward closing all gaps throughout the workforce.
- **Accountability.** Agency human capital decisions are guided by a data driven, results oriented planning and accountability system.

Much has changed in the public and the private worlds of work since the Academy began examining succession planning in 1992. Technology has driven much of this change, as has the demand of citizens for more responsive, cost effective delivery of government services. The demographics of the labor market also have shifted so that critical skills shortages are predicted. With the shrinking birthrate in the United States, and an expanding economy, these skills shortages are predicted to continue. The demographics of the country have shifted toward a

more diverse citizenry that is demanding a more diverse workforce to provide the products and services of government.

What has not changed in the need for succession planning. The need is greater today than ever. The very best public and private organizations have recognized the need, and made succession planning a key organization strategy for success. The General Electric Management Institute in Crotonville, New York has been in operation for nearly 50 years. It is one of the most frequently benchmarked leader development programs in the private sector. The CEO of General Electric spends a significant amount of his personal time on issues surrounding succession planning. IBM has also integrated succession planning as a key tool for assuring organizational success. The Pension Benefit Guaranty Corporation and the National Nuclear Security Administration are examples of public agencies that have made similar decisions and commitments.

Whether public or private, the succession planning programs of successful organizations have fundamental similarities. They are:

- A direct link between the organization's mission, its strategic plan and strategic outcomes, its workforce planning which identifies the current and future competency needs of the organization, and its human capital programs for recruitment, retention, performance management, and continuous learning—which in combination are used to assure that the organization has the right people with the right skills in the right place at the right time.
- An occupational map of leadership, mission critical, and other key positions that identify the type of position, career ladder and associated careers paths, competencies required, work assignments and developmental opportunities needed and available to develop the required competencies.
- The commitment and active participation of the organization's political and career leadership in the succession planning process for leaders, for mission critical occupations and other key positions.
- The commitment of needed financial and human capital resources to conduct the succession planning process, keep its content and processes current, and to provide the needed work assignments and developmental opportunities.
- A direct link between and among all human capital management programs to assure that there are talent pools available from which selections can be made when mission critical vacancies occur.
- A process for evaluating the costs and benefits of the succession planning process, and the return on investment it provides for the organization.

In today's world, and especially in tomorrow's, succession planning is essential for organizational success. The federal government must increase and enhance its succession planning efforts.

Anyone wishing to learn more details of succession planning can consult the following National Academy of Public Administration studies:

- *Leadership for Leaders: Senior Executives and Middle Managers* (2003)

- *Strengthening Senior Leadership in the U. S. Government* (2003)
- *Summary of Human Resources Management Research by the National Academy of Public Administration for the National Commission on the Public Service* (2003)
- *Building Successful Organizations* (2000)
- *Managing Succession and Developing Leadership: Growing the Next Generation of Public Service Leaders* (1997)
- *The State of Executive Succession Planning in the Federal Government-- A Follow-Up to Paths to Leadership: Succession Planning in the Federal Government* (1994)
- *Paths to Leadership: Executive Succession Planning in the Federal Government* (1992)