

# The Crisis in Federal Government Succession Planning What's Being Done About It\*



# Executive Summary

Without strong leaders, there are no strong nations. Although this has been true since time immemorial, never in recent history has the need for outstanding government leaders been more acute than it is today. In the midst of global political uncertainty and threats to national security, the US government urgently needs leaders who think creatively, strategize effectively and respond with speed and competence to high-pressure situations.

But if its current talent development practices do not change quickly, the government will soon boast few such leaders. Federal agencies' succession planning, which relies on traditional training methods, is barely adequate to do the job. The gap between those in senior executive positions and those prepared to move into them is widening by the day. And just as the federal government is beginning to recognize

the problem, it is running into new demographic and workforce challenges that make the leadership crisis all the more challenging.

The statistics show that current succession planning activities will yield "too few leaders, much too slowly," as one senior government executive stated. By some estimates, up to 70 percent of the Senior Executive Service is currently eligible to retire. While aging thins the ranks of senior executives, other forces have contracted the pool of those available to take over the reins. Changes in the federal pension system in the 1980s have made it easier for executives to leave senior positions, while downsizing during the 1990s decreased the federal workforce by half a million workers, depriving the government of access to some of the best and the brightest. Therefore, the succession planning debate is not only about the numbers; the quality and

state of readiness of those who will take over leadership is also at issue. If there is a crisis in human capital, succession planning for leadership roles is ground zero.

Responding to this crisis, PricewaterhouseCoopers' Federal Practice, along with the Economist Intelligence Unit (EIU), undertook this white paper to assess the state of succession planning within the federal government, survey best practices and identify areas for improvement.

A number of agencies have taken action to upgrade their succession planning practices and unblock the leadership pipeline. Two agencies that have made significant progress are the National Aeronautics and Space Administration (NASA) and the Government Accountability Office (GAO). Others, such as the Department of Defense, the Department of Health

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and Human Services and the Internal Revenue Service, have launched major projects to improve their succession planning practices.

The record is mixed across government, however. Our research shows that while many agencies have made progress in planning, considerable work remains to be done in implementing programs that will provide the agencies with the depth of leadership talent they need to fill vacating positions and equip them to train these leaders to meet the rapidly evolving demands of the 21st century.

It also became evident through our research that a piecemeal approach to succession planning is unlikely to be effective. Worthwhile programs such as accelerated leadership identification at the senior manager level are

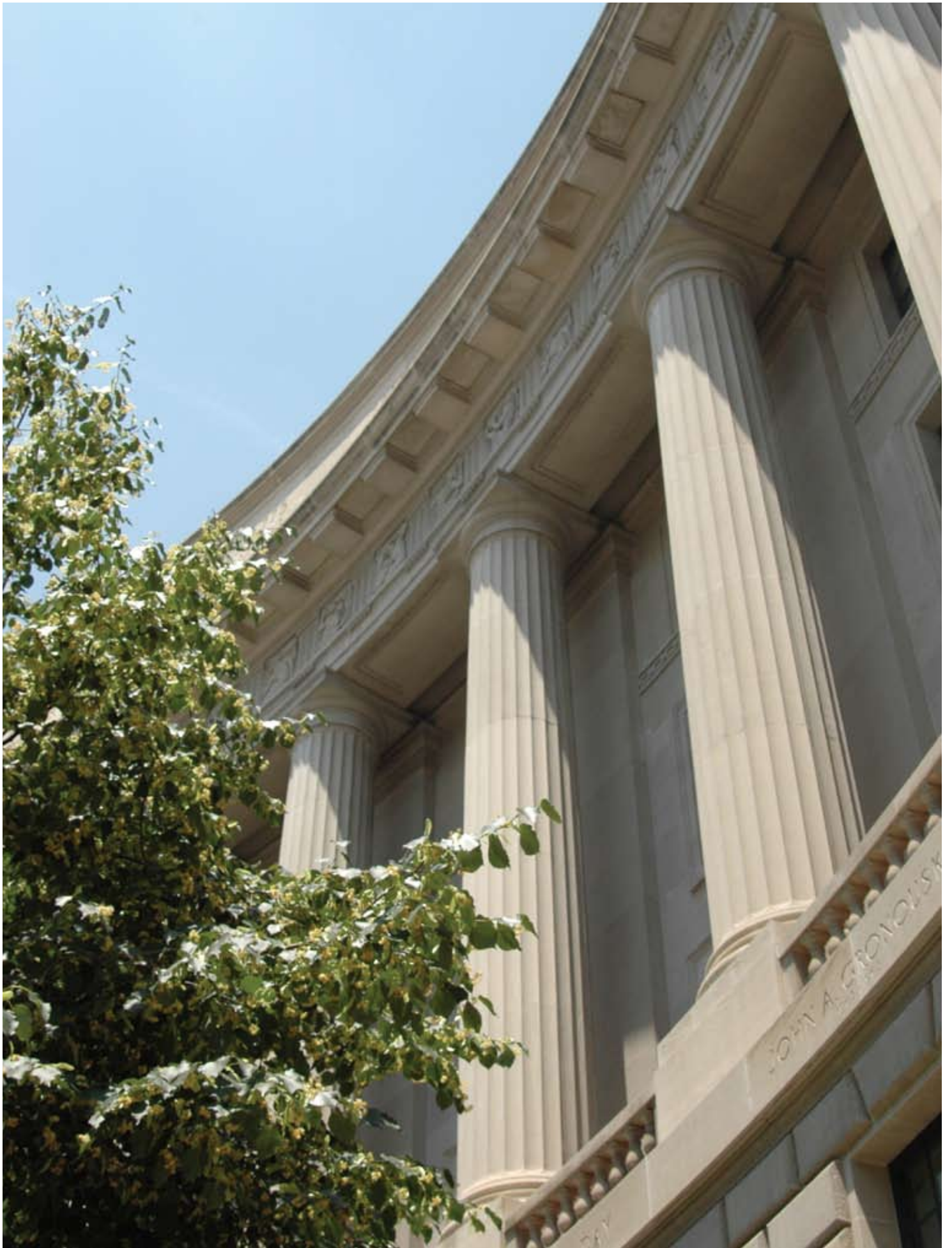
unsustainable if proper attention is not paid to the pipeline of talent currently filling those ranks. Such approaches can address short-term needs but tend to divert decision-makers' attention from the critical task at hand—building a sustainable talent identification, development and retention process that accounts for the demands of an evolving federal workforce. In fact, one of the key findings was that for a number of critical jobs (such as CFOs and CIOs), succession planning has to be considered on a government-wide basis.

There is much however that can and must be done at the agency level. As part of well crafted succession planning and leadership development programs, innovative practices such as job rotation, leadership development through coaching, mentoring,

action learning, and next-generation behavioral performance evaluation must all be considered. All of these practices, and other methods of identification and tracking of leaders, will be required to increase the speed with which government agencies develop talent and close the widening leadership gap.

On the bright side, many agencies already have some of the tools they need to succeed. The challenge though is putting these and other innovative tools to use in a structured manner to build an enduring leadership succession program. This paper highlights some of the best practices we have identified and some of the fundamental recommendations for doing just that.





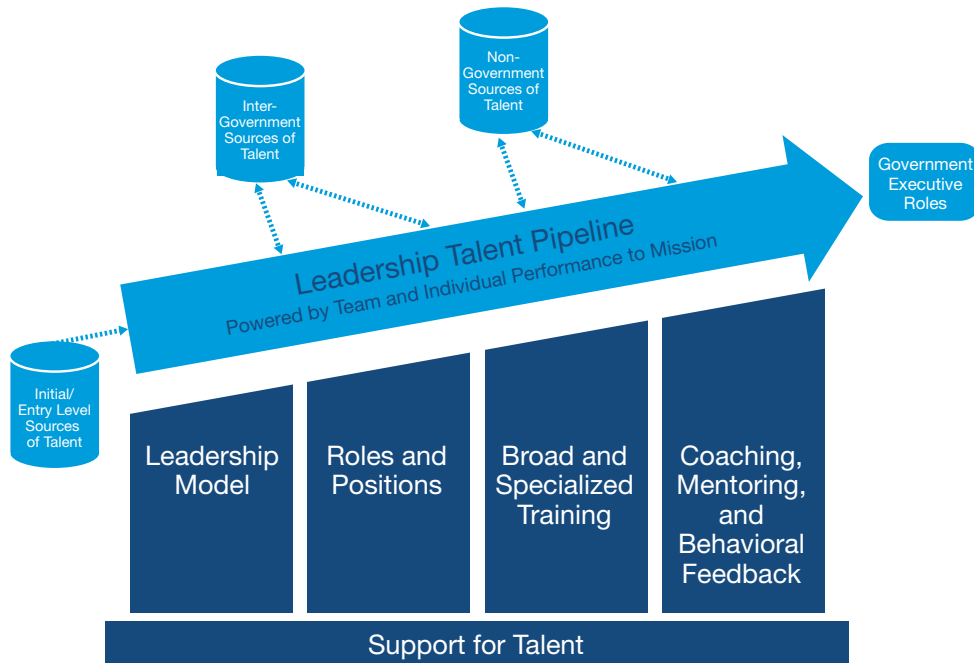
Identify leadership talent  
early and cultivate it.

# Succession Planning Defined

Succession planning is the process of planning for the development and placement of people in senior executive positions. It deals with the art and science of planning for the replacement of top executives when they depart – the culmination of a process to identify leadership talent early and cultivate it through training, action learning, mentoring, job rotation, and high-potential development programs. It is a process sustained by performance evaluation systems that track and evaluate senior leaders to prepare agencies to fill vacancies when they occur. As Figure 1 makes clear, the goal of succession planning is to establish, maintain and nurture the entire pipeline of leadership talent. Box A, The Succession Planning Toolbox, (on page 25) lists the essential techniques needed to keep talent flowing smoothly through the pipeline.

Figure 1

## Executive Talent Pipeline Characteristics



Source: PricewaterhouseCoopers LLP

# Unavoidable Demographic Changes

Lawmakers are well aware of workforce planning challenges. In June of 2005, the Government Accountability Office, acting at the request of Congressional leaders, released the report “Selected Agencies Have Opportunities to Enhance Existing Succession Planning and Management Efforts.” The report highlighted the great distance that agencies still must travel before they can claim succession planning systems comparable to those already common among leading organizations in the private sector.

In a series of related hearings, Senate and House committees<sup>1</sup> identified potentially devastating structural threats to the federal government’s human resources base. Overall, the hearings convey a potential crisis that has been narrowly averted so far but that now requires urgent attention.

The matter is even more pressing because demographic trends are not on the government’s side. As a result of the government’s expansion in the 1970s, a large cohort of senior

managers who entered service at that time have already reached—or will soon reach—retirement age. These baby boomers have already begun to retire, but many more will retire over the next ten years. By some estimates, up to 70 percent of the Senior Executive Service (SES) is currently eligible to retire.<sup>2</sup> At NASA, for example, the ratio of employees under the age of 30 to those over 60 dropped from 2:1 in 1993 to 1:3 in 2002.<sup>3</sup> In addition, shifts in the federal pension system that occurred in the 1980s have made it easier than ever for executives to leave senior positions, although a soft US economy for executive job expansion during the years 2001-2004 has forestalled such an exodus to a certain extent.

Yet another challenge to the system was the dramatic drop in the size of the federal workforce during the 1990s as a result of efforts to downsize government and the military after the end of the Cold War. Over the course of the decade, the number of federal employees declined by almost 500,000. In addition to retirement,

the demographic trends show government agency workforces with increasing employment of persons with Latino/Hispanic and Asian heritage. However, there are few Latino or Asian employees in leadership positions and few tracked for growth in the leadership pipeline. Along with this growth at the entry and early career grades is the formation of a gap in the leadership development pipeline representative of persons with such heritage. This demographic trend has also been seen in similar or greater magnitude in many private organizations. Like the retirement waterfall, this demographic trend has inspired a “call to action” to accelerate the development of leaders from these growing employee populations.

In the words of Senator George Voinovich (R-Ohio), “We do have a human capital crisis. There’s no question about it.” He adds that substantial change is critical “if we are to achieve real and lasting improvements in government operations.”

1 Specifically the Senate Subcommittee on Oversight of Government Management, the Federal Workforce and the District of Columbia which is a subcommittee of the Senate Committee on Homeland Security and Government Affairs as well as the House Subcommittee on Civil Service and Agency Organization which is a subcommittee of the House Committee on Government Reform.  
2 *Senior Executive Service: Retirement Trends Underscore the Importance of Succession Planning*, Briefing Report to the Chairman Subcommittee on Civil Service Committee on Government Reform House of Representatives, United States General Accounting Office, May 2000. (GAO/GGD-00-113BR)  
3 *NASA Strategic Human Capital Plan*, NASA Office of Human Capital Management, August 2002

# The Unique Challenges of Government

This level of change is very difficult for federal agencies to achieve because they have distinctive leadership needs. Even if senior executives are available, they may not have the appropriate skills. As Thomas Jefferson said about government hiring, “No duty the Executive had to perform was so trying as to put the right man in the right place.” In addition to demographic and structural obstacles, the government faces a series of other fundamental obstacles to effective succession planning:

- While government service has regained prestige in recent years, surveys show lingering distrust of and lack of interest in pursuing a career in government among the population at large. These attitudes reduce the available supply of new entrants and leaders in government, among people who will choose other professions.<sup>4</sup>

- Top government executives are paid much less than their private-sector counterparts, making hiring from the private sector problematic at senior levels. Other employment practices, including limited relocation benefits, are barriers to entry for attracting talent from other sources.
- Government regulations make hiring, promotion and firing in the public sector far more difficult than in the private sector, limiting flexibility in succession planning.
- A lengthy career path with many long tenure roles creates a well qualified, but too small, population of leaders in the slow path to the Senior Executive Service. The long path to the top also establishes a pool of top leadership talent with a significantly limited number of years before retirement eligibility than a more rapid and streamlined career path would create.

Given these and other challenges, new methods are needed to address the leadership development and succession planning challenges of the future. Despite its many differences, the private sector offers important lessons and inexpensive but effective leadership development practices—such as mentoring, executive rotation and action learning—that government agencies can easily and rapidly adopt into a well-structured succession planning effort.

4 *NPR-Kaiser-Kennedy School Poll Attitudes Toward Government*, survey of 1557 respondents 18 years of age and older, conducted May 26-June 25, 2000.



# Human Capital and the Law

One factor making it easier for agencies to respond more quickly to leadership development challenges is the new interest in succession planning permeates the federal government. Thanks in large measure to the leadership of Senator Voinovich (R-OH) and Senator Daniel Akaka (D-HI), as well as Congressman Tom Davis (R-VA) and Congresswoman Joann Davis (R-VA), the issue has achieved a higher profile. Congress has taken up the call by passing important enabling legislation to address human capital issues (see Appendix A).

***The President's Management Agenda.*** The White House has responded to the challenge with a Presidential mandate to improve succession planning across the board. In 2001, the Bush Administration

released the President's Management Agenda (PMA), outlining five categories of management action, including the alignment of human capital with strategic goals. This agenda was built on initiatives from previous administrations, such as the 1993 Government Performance and Reporting Act (GPRA), which requires agencies to report on performance annually. However, the PMA also requires agencies for the first time to report on the processes they are using to meet GPRA goals. This level of required detail has led to guidance on reporting and standards from the [Office of Personnel Management](#) (OPM) on a variety of Human Capital activities, including Succession Planning.

***OPM's Human Capital Framework.*** With respect to the goal of aligning

human capital with strategic goals, OPM has developed the Human Capital Assessment and Accountability Framework (HCAAF), described in Appendix B. Under this framework, the 24 federal agencies that have chief financial officers (CFOs) are now rated annually on their human capital performance using an Executive Management Scorecard. In addition, the PMA requires that the 24 agencies with CFOs name a chief human resources officer, or CHRO. Of six major areas covered by the reporting process, the third, Knowledge and Leadership Development, includes succession planning as a major goal. (See Box B, Making the Grade.) The CHRO within each agency often wears multiple hats—that is, he or she is generally a senior official with existing responsibilities in other

agency functions such as finance or procurement, and has added human resources accountability responsibilities, such as a Deputy Assistant Secretary for Management (or Human Resources). CHROs meet annually, and one subcommittee has pioneered a variety of initiatives to drive improvements in succession planning across the government. (See Box C, Succession Planning at the Inter-Agency Level.)

In March 2006, OPM held its Annual Workforce Conference, with the theme: “Transformation for Results.” During the conference, numerous speakers, including OPM Commissioner Linda Springer, identified succession planning as one of the top three imperative tasks for agencies to undertake, and for Chief Human Capital Officers and their teams

to steward. Internal Revenue Service Commissioner Mark Everson also spoke at the OPM Conference about the efforts at IRS during 2005 to better understand its pipeline of talent, and a major initiative in 2006 to address the gaps in leadership talent development.

***Leadership at the GAO.*** A few agencies have benefited from senior executives who made human resources issues a top priority. An outstanding example of this phenomenon is the tenure of David Walker, Comptroller General of the United States, and leader of the [Government Accountability Office \(GAO\)](#). Since arriving at the GAO, Walker has made human capital a key item on his agenda.

An unusual amount of legislation has helped agencies by providing new tools to improve human resource practices. Many of these are designed to cut through red tape and give managers in the public sector some degree of flexibility. Legislation ranges from broad-based initiatives affecting all levels of government to rules tailored for particular agencies such as NASA and the GAO. A number of agencies have taken advantage of the legislative and oversight climate. Some have made positive advances by enhancing existing programs or by developing new ones. Here is a sample of those emerging practices.

# Examples of Emerging Practices Among Government Agencies

Using existing resources is one of the fastest ways to respond quickly to the challenge of succession planning. A highly effective tactic to identify potential leaders is to make use of the many leadership development programs that the government has in place. While these programs vary in size and effectiveness, if managed properly and held to a high standard, they can be superb ways to nurture senior talent.

**“High-potential” programs.** The government has traditionally groomed future leaders through high-potential programs, which a number of agencies have expanded or upgraded in recent years.

At [NASA](#), the Executive Potential Program, formerly known as the Professional Development Program, enables 25 to 50 leaders a year (the precise number depends on funding), all at the GS-13 to GS-15 levels (senior administrative grades), to undergo specialized training and development. The program is competitive. Selected applicants enter NASA’s succession planning process. After engaging in two

development assignments, they are expected to take on higher or broader responsibilities within six months of their return to their facility.

Program elements include leadership workshops, briefings, coaching, feedback and training. Participants are required to work on a cross-center, agency-wide project selected by NASA leadership. According to the agency, the Executive Potential Program is a strategic human capital “succession planning tool.” For this reason, candidates are selected by the same people who manage NASA centers to ensure that upon completing the program, candidates are assigned the promised responsibilities.

Another agency committed to high-potential programs is the [Department of Commerce](#) (DOC). Its Senior Executive Service Candidate Development Program (SES CDP) includes 35 senior managers at the GS-14 and GS-15 levels and their equivalent. For employees a notch down in grade, the Executive Leadership Development Program has slots for about 35 leaders at the GS-13 and GS-14 levels and

their equivalent. For middle-level managers, at the GS-9, GS-11, and GS-12 levels and their equivalent, the Aspiring Leaders Development Program trains 30 employees.

Individual DOC bureaus also target high-potential employees. The [National Oceanic and Atmospheric Administration](#) (NOAA) Leadership Development Program has trained over 60 employees at the GS-13, GS-14, and GS-15 levels and their equivalent over the past three years, according to the DOC.

Many of these programs include a strong training component either at universities run by the agencies themselves or at the Federal Executive Institute. The [Census Bureau](#) Corporate University offers a certificate in leadership through the University of Maryland. Since 2002, a group of 12 people have graduated from this program. The US Patent & Trademark Office offers programs leading to increasing proficiency as a supervisory patent examiner, special programs examiner, or quality assurance specialist. Over 70 employees have completed these training opportunities.

Another example is the [Department of Labor](#), which launched what it calls the MBA Fellows program in 2002. The agency considers this two-year program one of its major succession development initiatives. The program includes rotational assignments, mentoring and promotional opportunities for successful graduates.

One criticism that might be leveled against a program that provides high-potential employees with a valuable credential is that these employees might turn around and leave the agency for higher-paying jobs. But evidence shows that may not necessarily be the case. In fiscal year 2004, the DOL found that 89 percent of its MBA Fellows were still on board two years into the program. The DOL's three-year retention goal is 75 percent. The agency also runs a Management Development Program (MDP) and an SES development program. In private industry, the loss of some highly regarded talent can actually become a positive story in the talent marketplace. Such companies are known as "net exporters" of talent, and thereby enhance their status as employers

through the continued success of alumni.

Finally, the [Internal Revenue Service](#) worked with PwC to assess its entire executive pool, identify high-potential candidates, and compare its succession planning practices to those in the private sector. (See Case Example: IRS Executive Assessments for more details.)

Some agencies have teamed up to develop high-potential employees. For example, the [Office Federal Procurement Policy](#), the [Department of Defense](#) and the [General Services Administration](#) have begun an initiative to train acquisition personnel. By providing similar training across the agencies, OMB hopes to establish a set of best practices for efficient acquisition and procurement across the government.

**Workforce reshaping.** Within the federal government, it is quite common for the skill base among employees to fall out of alignment with the agency's needs. Workforce reshaping to solve this misalignment has emerged as

an important element of succession planning, with early retirement as a primary tool.

In recent years, Congress has made it easier for agencies to offer employees the option of early retirement. *The Federal Workforce Improvement Act*, signed into law in 2002, has expanded the tools available for reshaping the workforce. Prior to the Act, agencies could offer Voluntary Early Retirement Authority (VERA) only if they needed to downsize their workforce. Moreover, they had to secure individual statutory authority to offer employees Voluntary Separation Incentive Payments (VSIP). The Act now permits agencies to use the VERA authority to reshape their workforces. They may also seek permission from the OPM to offer VSIP payments to employees.

Interest in early retirement has been high. According to testimony by Marta Perez, OPM associate director for human capital leadership and merit system accountability, in fiscal year 2004, "Forty agencies requested and received from OPM Voluntary Early Retirement Authority and/or Voluntary

## Examples of Emerging Practices Among Government Agencies

Separation Incentive Payment authority; 22 agencies requested and received Dual Compensation (Salary Offset) Waivers in order to recruit or retain talent critical to the success of their missions; and 10 requested and received Direct Hire Authority in order to more effectively compete in the war for talent.”

At NASA, officials worked with stakeholders to develop and promote legislation specifically aimed at allowing it to manage its workforce more flexibly (See Case Example: Workforce Flexibility at NASA). The GAO also benefited from a specific piece of legislation designed to improve its processes — in its case, the Human Capital Reform Act of 2003. The GAO has since embarked on a broad effort to adopt state-of-the-art HR practices, including compensation reform and an employee exchange program with academic, accounting and banking institutions.

**Job rotation.** Human resources experts agree that job rotation can serve as an excellent way to build skills and develop talent. In the private sector, job rotation is frequently a key element of leadership development and, indeed, effective succession planning. But most government agencies lack the breadth and reach of large corporations. In addition, the types of jobs are not varied

enough to enable managers to hone a broad set of skills and talents. Often career paths in government move from general responsibilities toward greater specialization rather than the reverse.

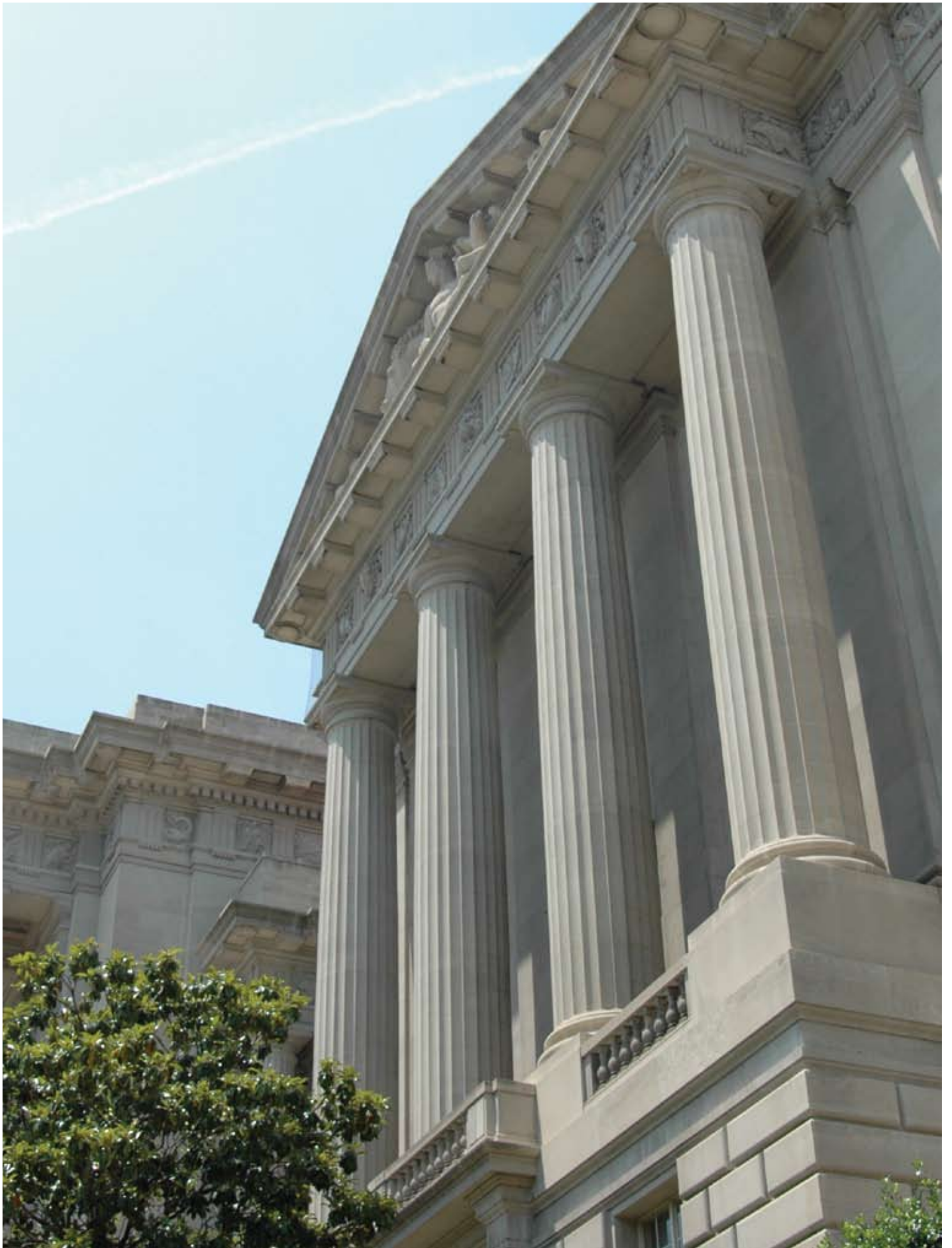
Due to the difficulty of moving people from job to job, government agencies have long employed the practice of “detailing” personnel to other assignments. This involves transferring someone for a period of time to other locations. For example, agencies frequently detail employees to the White House. Cross-agency detailing, however, is comparatively rare. One new approach is to create job rotation programs specifically designed for high-potential managers. Examples include the Department of Labor’s MBA Fellows program and the [Environmental Protection Agency’s](#) (EPA) Rotational Program. These programs are noteworthy, but they underscore the difficulty of rotating government employees through different job assignments. It is unlikely that job rotation will be used in the public sector to the extent it is used in the private sector until hiring rules become sufficiently flexible to accommodate long-cycle leadership development.

**Entry-level talent assessment.** Federal agencies are handicapped in their recruitment procedures by what many consider to be flawed federal rules.

The most widely used method for evaluating entry-level candidates—and the only method that the OPM approves for the entire government—is self-evaluation using the Administrative Careers with America (ACWA) self-rating schedule. The ACWA is a 156-part multiple choice questionnaire that asks applicants to describe their experience and accomplishments. It was developed by the OPM following a lawsuit brought by African-American and Hispanic groups protesting previous evaluation procedures.

Despite its noble intentions, the ACWA has been widely faulted by observers for its poor evaluation capabilities, and a few agencies have begun to implement more meaningful assessment criteria. The IRS, for example, now actually asks applicants at its call centers to take a short test in which they field real phone calls from members of the public. This so-called “content-valid approach” to selection focuses on critical skills that align with a core IRS mission element: customer satisfaction. Based on the applicant’s success or failure on the test, combined with other selection tools, the agency is able to evaluate the applicant in a real-life setting within a short time frame.





PwC has identified  
the six key elements  
to successfully  
developing leaders.

# What Government Agencies Need to Do

PwC has a methodology for maximizing succession planning efforts and driving the kinds of tangible results that can be achieved through the development of a leadership talent pipeline. The approach has six key elements, each with both strategic and tactical components, and all of which are critical to successfully developing leaders for top positions.

**1. Understand the Current State of the Pipeline** – Without knowing where you are, it is impossible to know where to go. Assessing the inventory of the present talent pipeline begins the succession planning process. The best inventories first define the characteristics and experiences required of leaders in the “desired state”. The present cadre of talent can then be compared to the profile of a leader in the “desired state” of the organization. Sophisticated models classify the criteria into tangible experiences and accomplishments required for, and presumably predictive of, future success.

This first element should always involve top leadership in the evaluation of existing talent in the pipeline, but arriving at the evaluation should also be by a consensus building, multi-rater process. That is, the evaluation of individuals for their potential to achieve larger roles must be done by persons other than the usual performance evaluators, including leaders from other chains of command in the agency, or external evaluators. This will ensure that critical and non-political eyes review each talent pipeline member. This initial step also helps the agency strategically define the size and nature of the leadership pipeline and the number of critical roles for which planning needs to occur. Often, this step clarifies which roles the agency must plan to fill from within, and which roles can potentially be filled through other means, such as external recruitment.

The results of the inventory are expressed in both quantitative and qualitative terms. Among the quantitative metrics are:

- total size of the pool of present leaders and those expressing interest in initial or larger leadership roles,
- the total number of individuals identified as “potential candidates” for larger roles,
- the ratio of identified candidates successfully evaluated as potentially able to fill critical roles to the number of critical roles,
- the racial and national origin (diversity) characteristics of the current pipeline,
- the percentage of persons in the pipeline eligible for retirement,
- the average time to retirement eligibility of the present pipeline,
- the education level of persons in the pipeline,
- the percentage of pipeline members expressing interest in larger management and leadership roles.

## What Government Agencies Need to Do

Qualitative metrics can include:

- the number of recipients of special awards and recognition in the pipeline
- the aggregate rating of the entire pipeline on the leadership characteristics required in the “future state” of the organization,
- the number of persons in the pipeline who have worked in more than one government agency, or who have work experience in other industries before their present government role,
- the feedback of employees concerning the leadership effectiveness of present pipeline members (both at the individual and aggregate level),
- the number and percentage of individuals leaving the agency in recent years who have achieved significant success and promotion elsewhere (inside and outside of government).

**2. Understand the Process of Leadership Development** – With the inventory of the leadership talent pipeline evaluated, both quantitatively and qualitatively, the nature and state of the current process for developing

leaders can be evaluated. This key element clarifies the state of the tools, processes, and methods (herein called “activities”) for development. This can range from examining training to documenting the traditional career paths and experiences that correlate to successful growth into leadership roles. With the leadership talent inventory in hand, the gaps and redundancies in the leadership development process often become much more obvious and can be clarified more rapidly.

There are two primary process reviews: a qualitative examination of the various means by which leadership characteristics are enhanced and fostered (training courses, assignments, coaching, mentoring, action learning, e-learning, etc.), and a quantitative examination of the efficacy and throughput of training.

The qualitative examination includes listening to those who have experienced the leadership development tools and their sponsoring managers, evaluating the difference in competency gain or lack of gain following the experience of the leadership tool, and the evidence of

improved leadership as a result of the leadership development activity.

The quantitative examination should include the throughput of leadership development activity as preparation for key roles. The metric captures the number of leadership roles filled in a year from all sources and calculates the percentage of persons prepared for those roles through the recommended leadership development activities. Also examined are the percentage of persons placed into leadership roles following required training and their record of performance following the training compared to those not receiving training. In all these metrics, the goal is to seek information that will lead to more effective leadership development activities and will inform the budget process about adjusting spending toward and away from activities on this basis.

**3. Know How to Fill the Pipeline**  
– Sources of candidates, both internal and external to the agency, form the initial and intermediate pools of talent from which leaders emerge. Certain leadership characteristics are harder to teach in adults than others or are

more difficult, and therefore more expensive, to develop. Among these are conceptual skills, tolerance for risk, and sensitivity to the needs of others. The selection processes for filling the leadership pipeline must go beyond credentials and testing to the evaluation of leadership characteristics. Knowing how to fill the pipeline begins by examining the sources of candidates, both internal and external. It is also important to know the source of candidates at each level a decision is made concerning membership or promotion within the agency. This examination begins with a longitudinal design to follow individuals from different sources and points of entry to their current roles and performance levels. While all sources of candidates at all levels can be tracked, the examination should focus on understanding gaps in candidate pools for important leadership roles, or where a large number of leadership roles are filled externally or are difficult to fill (long “posting to job fill” times). Gaps, or thin spots, appear in the pipeline as a lack of candidates or few candidates for open or soon to be open leadership roles. By understanding the sources of candidates, and their

career progression, actions can be taken to fill the pipeline through other or faster means, while not significantly compromising important experiences and learning.

#### 4. Track the Talent within the Pipeline

– The current state of the pipeline is a moment-in-time understanding of the present and near-term leadership talent within the organization. Because careers and individuals are dynamic, continual tracking of the pipeline is required. A number of monitoring methods are available, all of which are effective, and based more on the culture and leadership style of organizations than any real difference in results.

Some organizations, particularly large ones and those with cultures that emphasize the importance of tangible evidence in decision making, utilize talent rooms. Within these physical locations, various displays of the organization and its leadership cadre are visible to those allowed access. The displays include open leadership positions, candidate slates for key jobs, and listings of persons with high potential for leadership or special skills. The talent rooms become a place

where conversations and meetings are conducted about key talent, with all of the necessary data at hand and on-display. The talent room becomes a flexible tool to discuss options for reorganization and redeployment of key talent to address new strategic direction or shorter-term initiatives and crises.

Other organizations, particularly those savvy in the use of technology and those that already handle data flexibly and easily in a compartmentalized fashion, create virtual talent rooms. In these cases, any location, including a desktop computer, can become a location for a display of key talent for the same purposes as in a physical talent room.

Still, other organizations have frequent planned discussions of talent through organized reviews. In these cases, a series of meetings are held, often across a number of organization levels and at various locations. This highly “hands-on” process is akin to periodic and frequent reviews of operational performance or financial status and forecasts already in-place for many agencies. While often more time consuming, these reviews can be more

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## What Government Agencies Need to Do

ad hoc in nature, feel less centralized, and create a greater sense of flexible collaboration between management and the organizational units.

Whichever of these tracking methods is used, the establishment and maintenance of an accurate database about individuals and their talent is required. Some factors to consider in establishing the technology to support tracking the pipeline include the agency's abilities to:

- store and retrieve individual information longitudinally,
- capture qualitative information,
- add information about an individual from their prior experience in another government agency or outside the government,
- capture ratings of performance and competence, and
- track when information was added, by whom, and for what purpose,
- ensure security of and access rights to the data.

While a number of software solutions are available for purchase and installation, even home grown

systems can work to meet short-term needs. Smaller agencies in particular can benefit from not having to wait for larger or more comprehensive technology solutions.

**5. Use the Talent Pipeline Data** – All of the effort in the previous four elements is without purpose if the key element of using the talent pipeline inventory and information is not tackled. A surprising number of organizations fail to connect the processes of selection and promotion, assignment to key roles, discernment of talent differences, and long-term development of individuals to the talent pipeline. This last step cannot be underestimated. From our experience at PwC, we know that some of the steps agencies, and indeed all sorts of organizations, must take to fulfill the efforts of developing leaders include:

- **Creating Promotion and Leadership Development Committees** – While individual managers may have responsibility for filling most individual contributor roles, each organization needs to decide at what level managerial and

leadership positions will be reviewed and by whom. In effect, accountability for the successful filling of some or all leadership roles becomes the dual responsibility of the local hiring manager and the committee. These membership and promotion committees should have a diverse and inclusive membership themselves, and must have the ability to convene virtually and rapidly to discuss open positions, key organization changes, and the talent to fulfill important roles.

- **Filling Leadership Roles from Candidates in the Pipeline** – While open postings and self-nomination should remain in place as an empowering and self-determining method of consideration, candidates identified in the talent pipeline by agency management should be added to leadership slates to ensure the best quality candidates are considered. This step needs to be squared with hiring and promotion regulations, but seeking the broadest and most talented pool of talent for each leadership opening is about raising standards of excellence and making the process

- of promotion more transparent.
- Providing Feedback to Individuals – The common answer to all non-successful candidates, so the recruiters quip goes, is to say, “you came in second.” This cannot be the answer to individual candidates for leadership roles, nor can it be the answer to those trying to understand their status in the leadership pipeline. The level of candor and openness will vary across organizational cultures, and will mature in agencies over time. For all organizations however, it is about providing more feedback and more information to individuals about their standing in the organization, and to the organization about the state of the talent pipeline.
- Getting Senior Leaders Involved in Recruiting – Nothing speaks more to the importance of an activity than the personal involvement of leaders. When working to add talent from outside, the presence of the leaders’ perspectives and their sense of urgency can do wonders to attract talent and raise the level of quality required of incoming talent.

Some additional factors to make this key element into a working element are tracking the percentage of pipeline candidates selected, comparing the success rate as evidenced by actual performance of pipeline candidates to those not identified in the pipeline, the regularity of briefings and updates to senior management about the inventory of talent in the pipeline, and changes in the development and training approach to address skills gaps.

#### 6. Add a Leadership Position and Focus Resources to Support the Pipeline

– Too often, leadership development lacks the focus that other organization-wide initiatives possess. A CIO will name a new head of “key technology implementation,” or a CFO may name a special “cost reduction leader.” Government organizations have been slow to identify a central steward of the leadership talent pipeline. This organization structure has been highly successful in the private sector in companies that have come to realize the importance of the leadership pipeline to their future and continued success. Many government agencies

have only recently (within the last 5 years) named a Chief Human Capital Officer (CHCO), much less identified a Leadership Talent steward. Such a role, reporting to the CHCO, allows the organization to bring together the other 5 elements of this complex and multi-generational process in an accountable, rather than merely “reporting oriented” fashion.

This role does not replace traditional roles focused on leadership training, external recruitment of managers and leaders, and performance management. It unifies the stewardship of these often separate processes. This is an opportunity to structurally move in rapid fashion based on the learning of large private organizations which learned this lesson over many years.

Effective succession  
planning initiatives  
are still emerging  
at federal agencies

# Conclusion

Effective succession planning initiatives are still emerging at federal agencies. The good news is that Congressional oversight, combined with new legislatively mandated tools and unprecedented White House attention, have created an environment where improving the state of succession planning is now widely recognized as a critical national challenge.

While progress remains uneven, our research indicates that to improve succession planning, agencies must accomplish the following:

- Understand the current state of the leadership pipeline
- Understand the process of leadership development in their agency
- Know how to fill the leadership pipeline with high quality candidates
- Rigorously track the talent within the pipeline

- Use the talent pipeline data to make promotion, development, and deployment decisions
- Add talent under the Chief Human Capital Officer to support the leadership talent pipeline

Many government agencies have begun to implement meaningful systems of performance evaluation, aided by the use of improved information technology. They fall short, however, in aligning training, development, and other human capital practices with strategic organizational goals. It remains to be seen how well they perform with regard to implementing job rotation, mentoring, and a whole variety of leadership development acceleration tools.

In the future, the successful federal agencies and departments will be those that recognize the importance of

talent as a performance differentiator. The quality of individuals, particularly leaders will determine how well agencies achieve their goals. Like their corporate counterparts, senior government executives will find it essential to establish a business-oriented and systematic leadership talent review process that applies the same rigor expected of any financial review process. And, like other investments in the future, the returns on the additional effort and spending of an accelerated leadership development timeline can be identified and measured. But time is running out. Succession planning can no longer be a back-burner project. It is a pressing issue that demands immediate attention from senior government leaders and lawmakers.

# Case Example: Workforce Flexibility at NASA

The ability to recruit outside the organization is a key element of high-performance succession planning. No matter how good an organization's people, the ability to reach outside to secure a special skill or to replace a retiring executive is vital to aligning talent with strategy and operational requirements. In the case of NASA, where 60 percent of employees are scientists or engineers, outside recruitment was, until recently, extremely difficult because of hiring rigidities and a perceived compensation gap vis-à-vis academia and private companies. NASA's problem was further compounded by a skills imbalance caused by a long period of downsizing at a time of rapid technological change.

As an agency required to push the envelope in science and technology while executing massive projects at the same time, NASA faces a unique set of challenges. It has to work with

a variety of private contractors and successfully manage huge projects that bring together internal and external experts. From a human resources standpoint, the agency needs to recruit and attract a highly educated and technology-adept corps of managers, scientists and engineers; keep them in close contact with private counterparts at leading contractors; and see that these managers are kept up-to-date on a variety of scientific and technological advances.

When NASA initially began to explore upgrading and modernizing its human resource framework, it recognized that a variety of groups and people had a stake in the outcome. Working with stakeholders and legislators, NASA officials helped author the National Aeronautics and Space Administration Workforce Flexibility Act of 2003. The bill called for stakeholders to develop a workforce plan to be approved by the OPM and submitted to Congress.

A Legislation Implementation Team was formed, including representatives of NASA centers and union representatives from the American Federation of Government Employees (AFGE) and the International Federation of Professional and Technical Engineers (IFPTE).

The resulting workforce plan was developed, approved, and made available for NASA's use in July 2004. Among the many specific changes authorized, the legislation included provisions allowing the agency to do the following:

- Award recruitment, redesignation, or relocation bonuses not to exceed 100 percent of an employee's annual salary over the term of the service period (up to four years) and not to exceed 50 percent of an employee's salary at the beginning of the service period if the position addresses a critical need



- Pay retention bonuses over a specified service period up to 50 percent of an employee's annual salary if the employee's position addresses a critical need
- Offer prospective federal employees reimbursement for moving and relocation expenses, a benefit available to current federal employees
- Adjust (with the approval of the OPM) the base pay for employees at any rate within the GS salary range for the position based on the superior qualifications of the individual and the needs of NASA.

This newfound flexibility has enabled NASA to make a wide variety of successful hires. The following are some examples.

- A NASA center was in need of an engineer essential to the agency's Return to Flight program. The position required a high level of

expertise in aerospace engineering and safety engineering. In this instance, an out-of-state candidate was found, but was unwilling to relocate at his own expense. Using its newly minted flexibility, NASA was able to recruit the engineer by offering enhanced travel and relocation benefits.

- At one of its facilities in a high-cost area of the country, NASA was experiencing difficulty recruiting skilled individuals because of the perceived compensation gap between the public and private sectors. The workplace flexibility plan allowed NASA to lure a skilled engineer from elsewhere in the country with an attractive relocation package.

Has this new flexibility in succession planning helped prepare NASA for the future? According to those who have studied the NASA story, including Christopher Mihm of the GAO and

Marta Perez at the OPM, the program has been an overwhelming success. Perez explains that NASA was the first agency to meet all standards, and hence, achieve a green score on the PMA's criteria for human capital management. In testimony before Congress, she stated that the agency "has a human capital strategy that is aligned with its mission, goals, and organizational objectives, [and] that is integrated with its strategic and performance plans, and budget plans. Most importantly, NASA is continuously assessing and improving the way they manage their workforce. NASA's leadership is accountable for the effective management of people, including building a diverse, results-oriented, high-performing workforce."

# Case Example: IRS Executive Assessments

One of the practices business organizations often use is a team-wide review of their pool of executives that examines the pool's alignment with the current and future needs of the organization. In some organizations, such reviews go well beyond the executive ranks to become an organizational capability review for all professional employees.

To bring in such best practices from outside the organization, the Internal Revenue Service in late 2004 issued a request for proposal to obtain a contractor to provide an independent, unbiased perspective on the agency's leadership pipeline and to compare IRS executive assessment practices with external benchmarks. As part of the process, more than 100 current IRS executives were evaluated using methods identical to private sector talent reviews. Each executive received a report and personal review of his or

her leadership skills. Using the IRS Leadership Competency Model as a framework, and identifying the "top five" and "bottom three" competencies for each executive, the talent review indicated areas for development and ways to leverage strengths. In addition, the aggregate leadership team was compared to similar entities at other large organizations.

From this process, the IRS gleaned many qualitative and quantitative insights, including 14 key findings related to succession planning and the development of leaders. The agency found that its existing process of identifying and delivering leadership talent to the executive level was five to seven years slower than that of "best practice" companies. This finding has led the IRS to accelerate its leadership development practices through early identification of leadership talent and management of its career paths.

Additionally, hiring executives from outside the agency and government was discovered to be a highly positive way to inject leadership talent into the pipeline. But the review showed that lack of assimilation and acculturation reduced the near-term productivity and effectiveness of such hires. As a result, the IRS will be addressing this need as it advances its succession planning process. In FY2006, the IRS has added succession planning to its key corporate goals, on which it reports to the IRS Commissioner on a monthly basis. The initiative in FY2006 includes a comprehensive, external review of the leadership development process from front-line manager to SES-level, a redesign of the Executive Development process (including leadership assimilation), the piloting of Leadership Talent Reviews, and additional executive assessments.

### Box A - The Succession Planning Toolbox

In its most narrow sense, the term succession planning means planning for the succession of executives. But in its broader sense, the term refers to a fully integrated approach to obtaining, developing, and retaining executive talent. Succession planning should encompass the entire personnel pipeline from the entry to the senior executive level. At each stage of the pipeline, different techniques are needed. Key tools in the succession planning toolbox include the following:

*Strategic Alignment.* The best laid personnel plans will not achieve organizational objectives if they are misaligned with an agency's mission and strategy. A thorough strategic alignment process should be in place to insure that personnel practices are in line with strategy.

*Recruitment.* Effective succession planning begins with effective recruitment both at the entry and senior levels. This means aligning recruitment with agency needs, reaching out to qualified talent and, in some cases, fashioning creative strategies to attract desirable candidates. To secure the talent they need, agencies must increasingly look outside the organization. Developing a strong package of hiring incentives is therefore also advisable in order to recruit the most qualified candidates.

*Training.* Training at all levels is vital to building a high quality workforce and essential to cultivating senior executive talent. This can take the form of specialized training as well as general management training. Some forms of training can also serve as rewards to incent managers to achieve their full potential.

*Coaching and Mentoring.* Coaching and mentoring are increasingly recognized as critical elements of effective succession planning. No longer the exception in organizations, these practices are becoming the rule. Strong mentoring programs should include monitoring mechanisms to insure that participants are fully engaged.

Such programs also have desirable and positive impacts on the development of women and under-represented minority talent.

*Job Rotation.* While not as widely used in the federal government as in the private sector, job rotation is nonetheless a valuable way to expose executives to new challenges and stimulate leadership capacity. It is important to insure that after completing each new job that the executive has a place to return.

*Performance Evaluation.* What is not measured is typically not done. Therefore, measuring performance is an important way to stimulate performance improvement. Many organizations are moving toward 360 degree evaluation systems as a way to enhance the evaluation system.

*Behavioral Feedback.* Even beyond mandated annual performance reviews, it is advisable to create mechanisms and an environment that promote feedback on behavior. Feedback can be informal or formal.

*Position Mapping.* Companies should clearly identify candidates in line for succession for each essential position and examine the strengths and weaknesses of each. Where bench strength is weak, organizations should look to identify candidates before they are actually needed.

*Separation Planning.* At times, organizations may be called upon to reduce levels of personnel or move out people with inappropriate skills to make way for people whose skills match current and future needs in what is known as workforce shaping. To achieve this, agencies should have an effective separating planning system in place.

Different organizations may need to use different tools at different times but having all of them available is vital to effective succession planning.

### Box B - Making the Grade

One of the key drivers of improvements in succession planning practices is the Office of Personnel Management (OPM) Human Capital Scorecard, which rates agencies on their annual progress in achieving human capital goals. To obtain a grade of green, yellow or red for each goal, agencies must answer a battery of questions. (Green means an agency has met all the standards for success; yellow, mixed results; and red, unsatisfactory.)

For succession planning, a key question is “Does the agency ensure continuity of leadership through succession planning and executive development?” According to OPM, a good answer should be, “A formal succession planning management program is in place that includes a review of current and emerging leadership needs in light of strategic and program planning, identifies sources of key position talent and provides for assessing, developing and managing the identified talent.” In addition to running a program, the agency should also have “identified key positions and high-potential employees and has a formal SES Candidate Development Program or other method of developing the next generation of leaders.”

The scorecard process is not an antagonistic one, explains Marta Perez, associate director for human capital leadership and merit system accountability at the OPM with responsibility for administering part of the President’s Management Agenda. According to Perez, OPM officials meet with agency counterparts throughout the year to help them make progress in achieving goals. Ultimately, the agency itself suggests a grade of green, yellow or red. By the time the grade is given, however, both sides are usually in agreement about the agency’s progress. Grades are based on improvement, not on absolute level of attainment, and even high-performing agencies must demonstrate continuous improvement. The chart below shows that agencies have made significant progress in the past four years, but that much remains to be done. As of third-quarter 2005, only 11 out of 26 agencies had met all the success criteria.

Perez is confident about the scorecard’s ability to drive performance. “We have the tools we need,” she says. “The trick is now to put them to use.”

### Box C - Succession Planning at the Inter-Agency Level

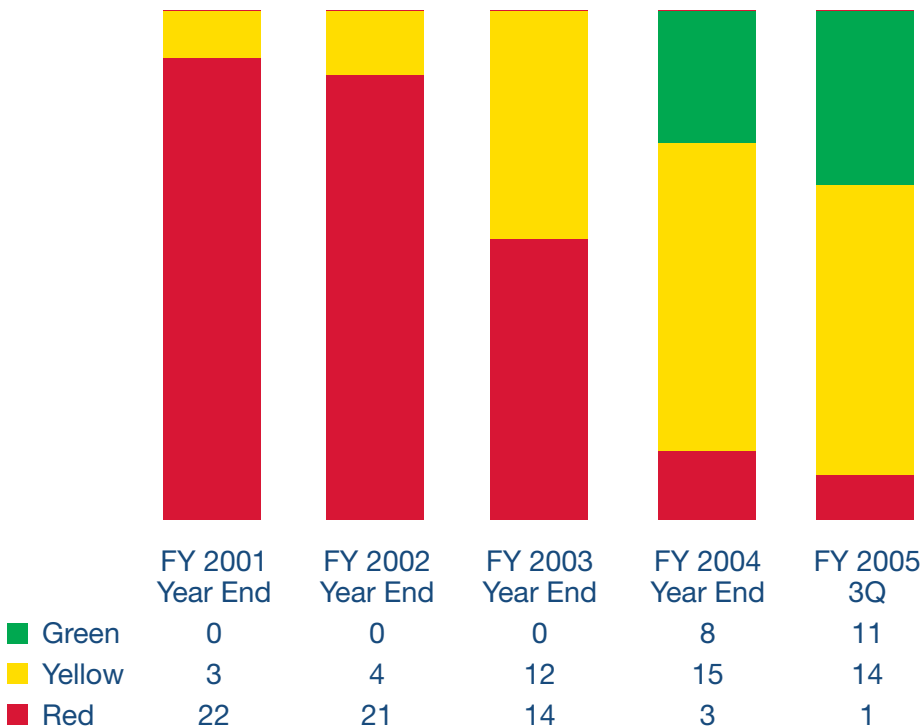
One of the first acts of the Council of Chief Human Capital Officers (CHCOs), upon its creation as a forum for CHCOs to exchange ideas in November 2002, was to create a committee for succession planning. Since its inception, the council's Leadership and Succession Planning Subcommittee has served as a forum for CHCOs to share insights into succession planning. The committee also has access to the council's secretariat and is able to call upon the knowledge of the executive director of the CHCO Council, Mike Dovilla.

In the early months of its existence, the committee commissioned a study of best practices in succession

planning across the federal government. While the report is internal and has not been released to the public, it has identified a variety of areas for collective work. In their quarterly meetings, members of the Committee have an opportunity to share ideas on how to raise the overall level of succession planning efforts within the government.

The CHCO Council is only one way that the OPM is working to coordinate activity across agencies. The OPM has also established a cross-agency Federal Candidate Development Program (Fed CDP), a 14-month management development program for SES and future SES managers.

## Strategic Management Human Capital PMA Status Summary Score FY 2001-FY 2005



Source: Office of Personnel Management

# Appendix A: Legislative Milestones in Human Capital Planning

In recent years a flurry of legislation has been passed that practitioners say has given them new tools with which to tackle human resources issues. Important legislative milestones include the following:

- Defense workforce reshaping authorities included in the *National Defense Authorization Act* for Fiscal Years 2001 and 2002.
- Portions of S. 2651, the *Federal Workforce Improvement Act of 2002* in the *Homeland Security Act of 2002*.
- S. 129, *Federal Workforce Flexibility Act* of 2003. This bill, signed into law on October 30, 2004, allowed federal agencies to use recruitment, relocation and retention bonuses more strategically to help government compete for senior talent; reformed the annual leave accrual policy for new mid-career employees; and required agencies to align training with performance and strategic goals.
- S. 610, *National Aeronautics and Space Administration Workforce Flexibility Act of 2003*, signed into law on February 24, 2004. This bill provided NASA with extensive new flexibility to recruit and retain a technologically savvy workforce.
- S. 765, *Presidential Appointments Improvement Act of 2003* portions enacted in the *National Intelligence Reform Act of 2004*. This bill was intended to improve the lengthy and frequently criticized Presidential appointments process.
- S. 768, *Senior Executive Service Reform Act of 2003* portions enacted in the *National Defense Authorization Act for Fiscal Year 2004*.
- S. 926, *Federal Employee Student Loan Assistance Act*.
- S. 1683, *Federal Law Enforcement Pay and Benefits Parity Act of 2003*. This bill requires OPM to review pay practices among different law enforcement branches with the goal of bringing pay and benefits that currently diverge widely across services into equitable alignment.
- S. 1522 (H.R.2751), *GAO Human Capital Reform Act of 2003*. This bill provided the GAO with new personnel flexibility.
- S. 2409, to provide for continued health benefits coverage, enacted as part of the *National Defense Authorization Act for Fiscal Year 2005*.
- FBI personnel reforms and reforms to the security clearance process as part of *National Intelligence Reform Act of 2004*.



# Appendix B: Succession Planning and the Human Capital Assessment and Accountability Framework

As part of their annual evaluation under the Human Capital Assessment and Accountability Framework, agencies are required to answer the three-part question below on leadership and knowledge management (which encompasses succession planning). To help answer the question, they are provided the elements of a “Yes” answer and suggested performance indicators.

## **Question on leadership and knowledge management**

- a) Do agency leaders and managers effectively manage people, ensure continuity of leadership, and sustain a learning environment that drives continuous improvement in performance?
- b) Does the organization identify leadership competencies, establish objectives and strategies to address them, and define performance expectations?
- c) Does the agency ensure continuity of leadership through succession planning and executive development?

## **Elements of “Yes”**

The agency conducts ongoing workforce analysis to identify current and future leadership needs. This analysis includes the size of the

workforce, deployment across the organization, and the competencies needed for the agency to succeed. A formal succession planning management program is in place that includes a review of current and emerging leadership needs in light of strategic and program planning, identifies sources of key position talent, and provides for assessing, developing and managing the identified talent. The agency conducts regular assessments of its leadership policies. It has identified key positions and high-potential employees, and has a formal SES Candidate Development Program or other method of developing the next generation of leaders.

## **Suggested Performance Indicators**

- Workforce study and analysis on leadership are conducted.
- Formal succession planning or talent management program is in place and its impact is measured.
- Written leadership development strategy is tied to workforce analysis and strategic plan.
- Documented leadership competencies are tied to the Executive Core Qualifications.
- Documented and communicated leadership skill training program includes all levels of supervisors, managers, and potential leaders.

- A system exists to assess leadership competencies (e.g., identification of high-potential candidates for candidate development programs or identification of development needs to be incorporated into individual development plans).
- Individual development plans for leaders and managers include formal and informal training.
- Leadership development program usage and impact are measured and analyzed.
- Policy and methodology for managing high-potential employees are documented.
- Measures of success are documented and tracked.
- Percentage of women and minorities in career ladders (GS 5-7-9 or similar) is tracked and assessed.
- Analysis of workforce demographics (including SES) helps inform succession plans. Analysis includes data such as average grade/age/length of service, distribution of the workforce (by series, grade, gender, race/national origin, supervisory status), turnover rates, and retirement eligibility.

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