



Testimony

Before the Subcommittee on Civil Service and Agency Organization,
Committee on Government Reform,
House of Representatives

For Release on Delivery
Expected 2 p.m. EDT
Wednesday, October 1, 2003

HUMAN CAPITAL

Succession Planning and Management Is Critical Driver of Organizational Transformation

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Highlights of [GAO-04-127T](#), testimony before the Subcommittee on Civil Service and Agency Organization, Committee on Government Reform, House of Representatives

Why GAO Did This Study

Leading public organizations here and abroad recognize that a more strategic approach to human capital management is essential for change initiatives that are intended to transform their cultures. To that end, organizations are looking for ways to identify and develop the leaders, managers, and workforce necessary to face the array of challenges that will confront government in the 21st century.

The Subcommittee requested GAO to identify how agencies in four countries—Australia, Canada, New Zealand, and the United Kingdom—are adopting a more strategic approach to managing the succession of senior executives and other public sector employees with critical skills. The Subcommittee is releasing this report—*Human Capital: Insights for U.S. Agencies from Other Countries' Succession Planning and Management Initiatives* (GAO-03-914)—at today's hearing.

www.gao.gov/cgi-bin/getrpt?GAO-04-127T.

To view the full product, including the scope and methodology, click on the link above. For more information, contact J. Christopher Mihm at (202) 512-6806 or mihmj@gao.gov.

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What GAO Found

As part of a reexamination of what the federal government should do, how it should do it, and in some cases, who should be doing it, it is important for federal agencies to focus not just on the present but also on future trends and challenges. Succession planning and management can help an organization become what it needs to be, rather than simply to recreate the existing organization.

Leading organizations go beyond a succession planning approach that focuses on simply replacing individuals and engage in broad, integrated succession planning and management efforts that focus on strengthening both current and future organizational capacity. As part of this broad approach, these organizations identify, develop, and select successors who are the right people, with the right skills, at the right time for leadership and other key positions.

Governmental agencies around the world anticipate the need for leaders and other key employees with the necessary competencies to successfully meet the complex challenges of the 21st century. To this end, the experiences of agencies in Australia, Canada, New Zealand, and the United Kingdom can provide insights to federal agencies, many of which have yet to adopt succession planning and management initiatives that adequately prepare them for the future. Collectively, agencies in other countries implemented the practices shown below.

Selected Practices Used by Agencies in Other Countries to Manage Succession

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

Madam Chairwoman and Members of the Subcommittee:

I am pleased to be here today to discuss the need for increased attention on succession planning and management in the federal government. My main point today is that the experiences of other countries can provide insights to agencies here in the United States on how to engage in broad, integrated succession planning and management efforts to identify and develop the leaders, managers, and workforce necessary to meet the challenges that will confront government in the 21st century. Chairwoman Davis, today you are releasing a report that we prepared at your and Senator Voinovich's request that shows specific practices that leading public sector organizations abroad are implementing as part of their integrated succession planning and management initiatives that focus on strengthening both current and future organizational capacity.¹

We recently testified before your subcommittee that fundamental questions need to be asked about what the federal government should do, how it should do it, and in some cases, who should be doing it.² As federal agencies seek to transform their cultures in response to governance challenges, it is important to focus not just on the present but also on future trends and challenges. As part of this reexamination, succession planning and management can help the organization become what it needs to be, rather than simply to recreate the existing organization.

Over the past several years, countries around the world have increasingly come to recognize the challenges posed by succession. For example, Canada faces a public service workforce with about 80 percent of both its executives and executive feeder groups eligible to retire by the end of the decade. In the United States, we project that more than half of all the members of the Senior Executive Service (SES) employed by the government in October 2000 will have left by October 2007³ and about 15 percent of the overall federal workforce will retire from 2001 to 2006.⁴

Despite such challenges, many federal agencies in the United States have yet to adopt succession planning and management initiatives that

¹ U.S. General Accounting Office, *Human Capital: Insights for U.S. Agencies from Other Countries' Succession Planning and Management Initiatives*, GAO-03-914 (Washington, D.C.: Sept. 15, 2003).

² U.S. General Accounting Office, *Results-Oriented Government: Shaping the Government to Meet 21st Century Challenges*, GAO-03-1168T (Washington, D.C.: Sept. 17, 2003).

³ U.S. General Accounting Office, *Senior Executive Service: Retirement Trends Underscore the Importance of Succession Planning*, GAO/GGD-00-113BR (Washington, D.C.: May 12, 2000).

⁴ U.S. General Accounting Office, *High-Risk Series: Strategic Human Capital Management*, GAO-03-120 (Washington, D.C.: January 2003).

adequately prepare them for the future. In 1997, the National Academy of Public Administration reported that of the 27 agencies responding to its survey, 2 agencies had a succession planning program or process in place. In a 1999 joint Office of Personnel Management (OPM) and Senior Executive Association survey of the SES, more than 50 percent of all career members said that their agencies did not have a formal succession planning program for the SES, and almost 75 percent said that their agencies did not have such a program for managers.

Succession planning and management is starting to receive increased attention. Madam Chairwoman, at your request, GAO is to review how selected U.S. federal agencies are managing their succession challenges. In addition, the Office of Management and Budget revised Circular A-11 to require that federal agencies' fiscal year 2005 annual performance plans prepared under the Government Performance and Results Act identify specific activities such as training, development, and staffing actions that agencies plan to take to ensure leadership continuity. In addition, as part of the administration's efforts to implement the President's Management Agenda, the OPM set the goal that continuity of leadership and knowledge is assured through succession planning and professional development programs in 25 percent of all federal agencies by July 2004.

Today, I will briefly highlight the key practices for effective succession planning and management we identified abroad that we encourage federal agencies to consider as they revise or develop their own programs in this area. As you know from testimonies by the Comptroller General, GAO has several initiatives to strengthen its current and future organizational capacity that are consistent with these practices. For example, we implemented an Executive Candidate Development Program to prepare candidates for assignment in the SES; hired senior-level individuals with critical scientific, technical, and professional expertise; recruited and hired diverse, high-caliber staff with needed skills and abilities; and instituted a program that would allow select retirees to become reemployed annuitants to facilitate the transfer of knowledge in critical areas and allow for a smooth transfer of responsibilities, among other things.

Other Countries' Succession Planning and Management Practices

Leading organizations engage in broad, integrated succession planning and management efforts that focus on strengthening both current and future organizational capacity. As part of this approach, these organizations identify, develop, and select successors who are the right people, with the right skills, at the right time for leadership and other key positions. We identified specific succession planning and management practices that agencies in Australia, Canada, New Zealand, and the United Kingdom are

implementing that reflect this broader focus on building organizational capacity. Collectively, these agencies' succession planning and management initiatives demonstrated the following six practices.

1. Receive Active Support of Top Leadership. Effective succession planning and management initiatives have the support and commitment of their organizations' top leadership. In other governments and agencies, to demonstrate its support of succession planning and management, top leadership actively participates in the initiatives. For example, each year the Secretary of the Cabinet, Ontario Public Service's (OPS) top civil servant, convenes and actively participates in a 2-day succession planning and management retreat with the heads of every government ministry. At this retreat, they discuss the anticipated leadership needs across the government as well as the individual status of about 200 high-potential executives who may be able to meet those needs over the next year or two.

Top leadership also demonstrates its support of succession planning and management when it regularly uses these programs to develop, place, and promote individuals. The Royal Canadian Mounted Police's (RCMP) senior executive committee regularly uses the agency's succession planning and management programs when making decisions to develop, place, and promote its top 500-600 employees, both officers and civilians. The RCMP's executive committee, consisting of the agency's chief executive, the chief human capital officer, and six other top officials, meets quarterly to discuss the organization's succession needs and to make the specific decisions concerning individual staff necessary to address those needs.

Lastly, top leaders demonstrate support by ensuring that their agency's succession planning and management initiatives receive sufficient funding and staff resources necessary to operate effectively and are maintained over time. Such commitment is critical since these initiatives can be expensive because of the emphasis they place on participant development. For example, a senior human capital manager told us that the Chief Executive of the Family Court of Australia (FCA) pledged to earmark funds when he established a multiyear succession planning and management program in 2002 despite predictions of possible budget cuts facing FCA. Similarly, at Statistics Canada—the Canadian federal government's central statistics agency—the Chief Statistician of Canada has set aside a percentage, in this case over 3 percent, of the total agency budget to training and development, thus making resources available for the operation of the agency's four leadership and management development programs. According to a human capital official, this strong

support has enabled the level of funding to remain fairly consistent over the past 10 years.

2. Link to Strategic Planning. Leading organizations use succession planning and management as a strategic planning tool that focuses on current and future needs and develops pools of high-potential staff in order to meet the organization’s mission over the long term. Succession planning and management initiatives focus on long-term goals, are closely integrated with their strategic plans, and provide a broader perspective.

For example, Statistics Canada considers the human capital required to achieve its strategic goals and objectives. During the 2001 strategic planning process, the agency’s planning committees received projections showing that a majority of the senior executives then in place would retire by 2010, and the number of qualified assistant directors in the executive development pool was insufficient to replace them. In response, the agency increased the size of the pool and introduced a development program of training, rotation, and mentoring to expedite the development of those already in the pool.

For RCMP, succession planning and management is an integral part of the agency’s multiyear human capital plan and directly supports its strategic needs. It also provides the RCMP Commissioner and his executive committee with an organizationwide picture of current and developing leadership capacity across the organization’s many functional and geographic lines. To achieve this, RCMP constructed a “succession room”—a dedicated room with a graphic representation of current and potential job positions for the organization’s top 500-600 employees covering its walls—where the Commissioner and his top executives meet at least four times a year to discuss succession planning and management for the entire organization.

3. Identify Talent from Multiple Organizational Levels, Early in Careers, or with Critical Skills. Effective succession planning and management initiatives identify high-performing employees from multiple levels in the organization and still early in their careers. RCMP has three separate development programs that identify and develop high-potential employees at several organizational levels. For example, beginning at entry level, the Full Potential Program reaches as far down as the front-line constable and identifies and develops individuals, both civilians and officers, who demonstrate the potential to take on a future management role. For more experienced staff, RCMP’s Officer Candidate Development Program identifies and prepares individuals for increased leadership and managerial responsibilities and to successfully compete for admission to

the officer candidate pool. Finally, RCMP's Senior Executive Development Process helps to identify successors for the organization's senior executive corps by selecting and developing promising officers for potential promotion to the senior executive levels.

The United Kingdom's Fast Stream program targets high-potential individuals early in their civil service careers as well as recent college graduates. The program places participants in a series of jobs designed to provide experiences, each of which is linked to strengthening specific competencies required for admission to the Senior Civil Service. According to a senior program official, program participants are typically promoted quickly, attaining midlevel management in an average of 3.5 years, and the Senior Civil Service in about 7 years after that.

In addition, leading organizations use succession planning and management to identify and develop knowledge and skills that are critical in the workplace. For example, Transport Canada estimated that 69 percent of its safety and security regulatory employees, including inspectors, are eligible for retirement by 2008. Faced with the urgent need to capture and pass on the inspectors' expertise, judgment, and insights before they retire, the agency embarked on a major knowledge management initiative in 1999 as part of its succession planning and management activities. To assist this knowledge transfer effort, Transport Canada encouraged these inspectors to use human capital flexibilities including preretirement transitional leave, which allows employees to substantially reduce their workweek without reducing pension and benefits payments. The Treasury Board of Canada Secretariat, a federal central management agency, found that besides providing easy access to highly specialized knowledge, this initiative ensures a smooth transition of knowledge from incumbents to successors.

4. Emphasize Developmental Assignments in Addition to Formal Training. Leading succession planning and management initiatives emphasize developmental or "stretch" assignments for high-potential employees in addition to more formal training components. These developmental assignments place staff in new roles or unfamiliar job environments in order to strengthen skills and competencies and broaden their experience. For example, in Canada's Accelerated Executive Development Program (AEXDP), developmental assignments form the cornerstone of efforts to prepare senior executives for top leadership roles in the public service. These assignments help enhance executive competencies by having participants perform work in areas that are unfamiliar or challenging to them in any of a large number of agencies throughout the Canadian Public Service. For example, a participant with a

background in policy could develop his or her managerial competencies through an assignment to manage a direct service delivery program in a different agency.

One challenge sometimes encountered with developmental assignments in general is that executives and managers resist letting their high-potential staff leave their current positions to move to another organization. Agencies in other countries have developed several approaches to respond to this challenge. For example, once individuals are accepted into Canada's AEXDP, they are employees of, and paid by, the Public Service Commission, a central agency. Officials affiliated with AEXDP told us that not having to pay participants' salaries makes executives more willing to allow talented staff to leave for developmental assignments and fosters a governmentwide, rather than an agency-specific, culture among the AEXDP participants.

5. Address Specific Human Capital Challenges, Such as Diversity, Leadership Capacity, and Retention. Leading organizations stay alert to human capital challenges and respond accordingly. Government agencies around the world, including in the United States, are facing challenges in the demographic makeup and diversity of their senior executives.

Achieve a More Diverse Workforce. Leading organizations recognize that diversity can be an organizational strength that contributes to achieving results. For example, the United Kingdom's Cabinet Office created Pathways, a 2-year program that identifies and develops senior managers from ethnic minorities who have the potential to reach the Senior Civil Service within 3 to 5 years. This program is intended to achieve a governmentwide goal to double (from 1.6 percent to 3.2 percent) the representation of ethnic minorities in the Senior Civil Service by 2005. Pathways provides executive coaching, skills training, and the chance for participants to demonstrate their potential and talent through a variety of developmental activities such as projects and short-term work placements.

Maintain Leadership Capacity. Both at home and abroad, a large percentage of senior executives will be eligible to retire over the next several years. Canada is using AEXDP to address impending retirements of assistant deputy ministers—one of the most senior executive-level positions in its civil service. As of February 2003, for example, 76 percent of this group are over 50, and approximately 75 percent are eligible to retire between now and 2008. A recent independent evaluation of AEXDP by an outside consulting firm found the program to be successful and

concluded that AEXDP participants are promoted in greater numbers than, and at a significantly accelerated rate over, their nonprogram counterparts.

Increase Retention of High-Potential Staff. Canada's Office of the Auditor General (OAG) uses succession planning and management to provide an incentive for high-potential employees to stay with the organization and thus preserve future leadership capacity. Specifically, OAG identified increased retention rates of talented employees as one of the goals of the succession planning and management program it established in 2000. Over the program's first 18 months, annualized turnover in OAG's high-potential pool was 6.3 percent compared to 10.5 percent officewide. This official told us that the retention of members of this high-potential pool was key to OAG's efforts to develop future leaders.

6. Facilitate Broader Transformation Efforts. Effective succession planning and management initiatives provide a potentially powerful tool for fostering broader governmentwide or agencywide transformation by selecting and developing leaders and managers who support and champion change. For example, in 1999, the United Kingdom launched a wide-ranging reform program known as Modernising Government, which focused on improving the quality, coordination, and accessibility of the services government offered to its citizens. Beginning in 2000, the United Kingdom's Cabinet Office started on a process that continues today of restructuring the content of its leadership and management development programs to reflect this new emphasis on service delivery. For example, the Top Management Programme supports senior executives in developing behavior and skills for effective and responsive service delivery, and provides the opportunity to discuss and receive expert guidance in topics, tools, and issues associated with the delivery and reform agenda. These programs typically focus on specific areas that have traditionally not been emphasized for executives, such as partnerships with the private sector and risk assessment and management.

Preparing future leaders who could help the organization successfully adapt to recent changes in how it delivers services is one of the objectives of the FCA's Leadership, Excellence, Achievement, Progression program. Specifically, over the last few years FCA has placed an increased emphasis on the needs of external stakeholders. This new emphasis is reflected in the leadership capabilities FCA uses when selecting and developing program participants. The program provides participants with a combination of developmental assignments and formal training opportunities that place an emphasis on areas such as project and people management, leadership, and effective change management.

In summary, Madam Chairwoman, as governmental agencies around the world anticipate the need for leaders and other key employees with the necessary competencies to successfully meet the complex challenges of the 21st century, they are choosing succession planning and management initiatives that go beyond simply replacing individuals in order to recreate the existing organization, to initiatives that strategically position the organization for the future. While there is no one right way for organizations to manage the succession of their leaders and other key employees, the experiences of agencies in these four countries provide insights into how other governments are adopting succession practices that protect and enhance organizational capacity. While governments' and agencies' initiatives reflect their individual organizational structures, cultures, and priorities, these practices can guide executive branch agencies in the United States as they develop their own succession planning and management initiatives in order to ensure that federal agencies have the human capital capacity necessary to achieve their organizational goals and effectively deliver results now and in the future.

Chairwoman Davis and Members of the Subcommittee, this concludes my prepared statement. I would be pleased to answer any questions you may have.

Contacts and Acknowledgments

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