

# **Report on the Strategic Management of Human Capital: Succession Planning OIG Report No. 2007-07-ADV**

## **Introduction**

Since 2002, the Office of Inspector General has issued periodic management advisories on the agency's progress in meeting the core requirements of the President's Management Agenda. We've reported information relating to the Strategic Management of Human Capital as Management Challenges in semiannual reports to Congress and in annual Performance and Accountability Reports. Further, OIG met with auditors from the Government Accountability Office and discussed the results of our periodic updates relating to the Agency's management of human capital prior to their issuing their report in June 2008. OIG recognizes that the Agency has prioritized its budget to address reducing its backlog and managing the workload. However, it is also of utmost importance that the Agency addresses the Strategic Management of Human Capital, including workforce planning of which succession planning is a major part. Without planning today for tomorrow's workforce, there are no assurances that the Agency will be able to continue to meet its mission in years to come.

## **Objective**

Our objective was to identify progress made by EEOC to address the core requirement of the President's Management Agenda (PMA) for strategic management of human capital dealing specifically with succession planning.

## **Scope and Methodology**

We met with agency managers periodically from March 2008 through January 2009 and discussed progress and planned actions relating to the agency's succession planning efforts. We also researched and reviewed audit reports of other agencies that addressed succession planning. Our work was performed in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

## **Background**

In 2001, the strategic management of human capital on a government wide basis was included in the Government Accountability Office’s (GAO) list of high risk areas. GAO first added strategic human capital management as a government wide high-risk area because federal agencies lacked a strategic approach to human capital management that integrated human capital efforts with agency mission and program goals. Additionally, President George W. Bush issued what is known as the President’s Management Agenda (PMA) where Office of Management and Budget (OMB) established standards for success for each of the five initiatives of the PMA including human capital.<sup>1</sup> The President’s strategic advisor on human capital is the Office of Personnel Management (OPM). OPM, in collaboration with OMB and the GAO revised the Human Capital standards for success necessary to meet the requirements of the PMA. OPM also developed the Human Capital Assessment and Accountability Framework (HCAAF) which supports an ongoing process of human capital management in every Federal agency’s planning, goal setting, implementation, and evaluating results in five systems:

- Strategic Alignment
- Leadership and Knowledge Management
- Results-Oriented Performance Culture
- Talent Management
- Accountability

Succession planning falls under the leadership and knowledge management system of the HCAAF. OPM defines leadership and knowledge management as “a system that ensures continuity of leadership by identifying and addressing potential gaps in effective leadership and implements and maintains programs that capture organizational knowledge and promote learning.” Succession planning involves identifying leadership competencies and establishing objectives and strategies to ensure that there is a continuous pipeline of available leadership within the organization. GAO has issued various reports highlighting the need for agencies to increase their efforts in workforce planning including succession planning to address aging of the current workforce and to ensure that agencies have the talent with the knowledge, skills, and competencies in the occupations needed to meet their missions.<sup>2</sup>

The chart below summarizes several factors by GAO/OPM found in successful succession planning initiatives and OIG’s assessment of EEOC’s current status for each success factor:

## **OPM/GAO Factors for Successful Succession Planning**

<b>Success Factor</b>	<b>Assessment of EEOC’s Status</b>
Commitment and Active Support of Top Leadership	<p>In Congressional testimony relating to the 2009 Agency budget, former Chair Earp agreed with the OIG that there was a need for senior level management to place greater emphasis on human capital management and the need to make sure that the Agency has the right positions at the right grade with the right skills.</p> <p>OHR developed the Executive and Senior Leadership</p>

	Development Plan and provided to SES Advisory Council reviewed plan and provided suggestions for improvement in October 2008. No actions have been taken since that time.
Direct link between the organization's mission, its strategic plan and outcomes	The agency's strategic plan does not have any outcome measures addressing succession planning.
Identification of critical skills and competencies that will be needed to achieve current and future programmatic goals	Of the 337 EEOC supervisors requested, 129 or 38% completed OPM's Federal Competency Assessment Tool; analysis of results is expected by the end of fiscal year 2009.
Development of strategies to address gaps in mission critical and other key positions	Not completed; To be completed after identifying critical skills and competencies
Leadership Training programs that include formal and informal training for all levels of supervisors, managers and potential leaders	EEOC now has four (4) slots for the Federal Executive Institute and held new supervisors training through its Management Development Institute in June 2008 and will hold New Managers Training in May 2009.
Strategies for addressing specific human capital challenges such as diversity, leadership, capacity and retention	The Agency held its "Can We Talk?" seminars to address diversity in the Agency during FY 2008.
A process for evaluating the costs and benefits of succession planning efforts and the return on investment it provides the organization	No measures have been developed relating to succession planning nor has any return on investment analyses been conducted.

## Findings, Conclusions and Recommendation

### Top Senior Management Must Take an Active Role in Succession Planning Efforts

The Office of Human Resources (OHR) headed by the Agency's Chief Human Capital Officer (CHCO)<sup>3</sup> has been our primary contact for issues relating to the strategic management of human capital. Each year, OHR staff is assigned responsibility for developing the agency's succession management plan. Other than making changes to planned implementation dates for various strategies identified in the plan, there was little progress suggesting that succession planning is not a priority within the agency. In a June 2008 Report to the Chairman, Subcommittee on Commerce, Justice, Science, and Related Agencies, Committee on Appropriations, U.S. Senate, the GAO stated that EEOC faces the human capital challenge that by 2012, all of its current senior executives and senior managers will be retirement eligible and estimates that many may have already retired by 2012. The FY 2009 Omnibus Appropriations Act reference the June 2008

GAO report and directs EEOC to implement its recommendations and to report back to the House and Senate Committees on Appropriations within 60 days of the enactment of the Act on how these recommendations were implemented. Taking this fact into consideration, it is of utmost importance that top senior level EEOC management takes an active role in the agency's succession planning efforts to ensure that future leaders with the right skills, knowledge, and abilities are in place to lead the agency in meeting its mission and challenges of the 21st century.

OHR prepared a draft document titled, "Executive and Senior Leadership Development Program" (ESLDP) in August 2008. It discusses a proposed succession planning initiative for EEOC. Specifically, the draft plan includes guidance for a proposed leadership development plan, selection process, and other components including mentoring, training, developmental assignments, and evaluations. Also, the draft plan is designed to appeal to staff at the GS 14/15 level interested in participating in the Agency's Leadership Succession Program. Best practices in the federal government suggest that effective succession planning and management efforts identify talent from multiple organizational levels and early in their careers. Core succession training and development programs should be developed to include entry-level employees, mid-level management and senior executives to strengthen high potential employees' skills and to broaden their experience. The OPM suggests that human capital planning be managed by a human capital review team or similar collaborative body comprised of the CHCO, and senior leaders and managers from human resources, information technology, finance, and mission specific areas. This draft plan was presented to the EEOC Executive Resources Board and forwarded to the Senior Executive Service Advisory Council <sup>4</sup> members for review and comment on the program's viability on October 9, 2008. The Council completed its review of the draft Executive and Senior Leadership Development Plan on October 22, 2008. The Council's comments included concerns about the projected costs of the program and the number of candidates that would be accepted. The Council believes that there is a sizeable group of GS-15s Agency-wide who with or without minimal additional training qualify for selection for upcoming SES vacancies. However, a more immediate need for leadership development training is for incumbents at the GS-13 and GS-14 grades, and for a targeted approach rather than an agency wide approach to addressing leadership development. Since that time, no further action has been taken by OHR to address the Council's comments.

## **Integrating Succession Planning with Strategic Planning and Budget Process**

The Agency needs to begin to think strategically regarding its succession planning efforts. The Agency's revised strategic plan for fiscal years 2007-2012, adopted by the Commission in July 2008 includes only one strategic objective: Justice, Opportunity and Inclusive Workplaces. Included in the Means and Strategies section of the plan is a brief overview of the President's Management Agenda addressing the strategic management of human capital. One of the key steps identified in improving the strategic management of human capital is "Developing and sustaining leadership, through the agency's Management Development Institute, and supporting succession planning." However, there are no human capital objectives in the strategic plan with specific performance measures relating to succession planning. Without these, the Agency will not be able to assess the effectiveness of its succession planning efforts. In order for the

Agency's succession planning efforts to be meaningful, it is vital that strategic planning efforts include specific measures to evaluate progress in meeting succession planning goals and that all human capital related documents, OHR's draft Strategic Human Capital Plan and the draft Executive and Senior Leadership Development Plan, are linked to the Agency-wide strategic plan. Further, the Agency must ensure the development of a well documented workforce plan that describes the steps that will be taken to identify potential leadership needs and qualified candidates for future leadership positions.

Additionally, human capital initiatives including succession planning should be integrated into the agency wide budget process. This is a critical step because identifying necessary resources ensures that human capital initiatives will be carried out as planned and remains a future priority. The Chief Human Capital Officer will be held accountable for ensuring that scarce funds that impact the strategic management of human capital are put to the best use. For example, the Omnibus Appropriations Act of 2009, H.R. 1105 requires that EEOC provide a cost-benefit analysis of hiring higher credentialed employees for the in-house call intake function. OIG reviewed other agencies' budget information and found that succession planning initiatives are clearly identified and discussed along with funding estimates.

Lastly, once the succession management plan has been finalized it should be communicated to employees and posted to the Agency's web site. Communication is a vital component of the succession planning implementation process.

## **Approach to Succession Planning**

There is no one right way for organizations to manage succession planning for their leaders and other key employees. Succession planning can be approached on an agency- wide basis or at the program level. From an agency-wide basis, top leadership and senior managers hold periodic meetings (e.g. quarterly) to discuss succession planning and human capital issues for the entire organization. For each executive and senior level position, in headquarters and field offices, potential successors to each incumbent are identified by skill level, training, and past job experience. This information is taken into consideration by Agency leaders in deciding on future assignments and filling senior level vacancies. Succession planning at the program level first involves agency top leadership and senior managers developing succession planning guidance for program offices. Each office has responsibility for preparing its workforce with the skills, knowledge, and abilities that the agency will need to meet its mission. This approach was used by the U.S. Housing and Urban Development (HUD). HUD management developed guidance in the form of a seven- step approach to succession planning to be used by its various program offices. Further details of this approach are contained in the HUD Office of Inspector General Report No. 2007-CH-001 dated 9/29/07 and can be found at [www.hud.gov/offices/oig/reports/oiginter.cfm#2007](http://www.hud.gov/offices/oig/reports/oiginter.cfm#2007).

Additionally, there are various tools and training available to assist agency managers on steps to implement successful succession planning efforts. OIG staff participated in a webcast provided by the Government Executives Network entitled "Succession Planning in the Government: How to Create a Comprehensive Succession Planning System" which provided a general overview of the succession planning process. Additionally, software is available to help organizations to

manage their pipeline of internal future leaders. Various vendors are available and provide sample versions of their succession planning software for evaluation and use.

## **Conclusion**

OIG concludes that EEOC must finalize succession planning efforts and ensure that they are implemented. OHR has drafted an Executive and Senior Leadership Development Program which was reviewed by the SES Advisory Council in October 2008 but there has been no action since. Specifically, top senior management must make succession planning a priority. Though key leadership positions have been identified, no pipeline is in place identifying current employees having the necessary skills, knowledge and abilities to move into leadership positions. Additionally, steps are needed to link succession planning efforts with the agency's strategic plan and to integrate succession planning into the budget process. The Agency must take steps now to ensure that a leadership pipeline exists within the current workforce that is equipped with the skills, knowledge, and abilities necessary to ensure that future leaders are available to lead the agency in meeting its mission and strategic goals.

## **Recommendations**

We recommend that EEOC's Chairman and senior management:

- Take an active role in the Agency's succession planning efforts including:
  - Ensuring that the Office of Human Resources take actions to move the Executive and Senior Leadership Development Program forward including finalizing the draft document.
  - Ensuring that the Agency develops and implements succession management planning that identifies talent from multiple organizational levels early in their careers, or with critical skills. Succession training and development programs should include entry level employees, mid-level management, and senior executives.
- Integrate succession planning with the Agency's strategic planning and budget processes.
- Ensure that the Agency takes steps to address each of the GAO/OPM Success Factors found in successful succession planning initiatives.

## **Management's Response**

We received comments from the Office of Human Resources (OHR) and the Office of the Chief Financial Officer. These comments are included in their entirety as an attachment. Management generally concurred with OIG's conclusion that EEOC must finalize succession planning efforts and ensure that they are implemented.

Rather than responding directly to our recommendations, OHR summarizes its meetings held with senior leaders in the past and notes that they are designing a succession planning approach which will assess, identify, and develop management talent at the GS 13/14 levels. Additionally,

OHR staff is completing an Agency Human Capital Strategic Plan and expects to have significant input into revisions of the Agency's strategic plan.

The Office of the Chief Financial Officer agrees with the report and noted that when implemented the results of succession planning would have a direct impact on the reduction of the agency's workload activity.

## **OIG Conclusion on Management's Response**

We believe that the Chair of the Agency should be involved in the succession planning process and provide oversight and direction to the Office of Human Resources to ensure that succession planning is a priority and that succession planning efforts are finalized and implemented.

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**Attachment 1**

### **Comments to Office of Inspector General Draft Report on the Strategic Management of Human Capital: Succession Planning OIG Report No. 2007-07-ADV**

The Office of Human Resources concurs with the conclusion from the OIG draft report that "...EEOC must finalize succession planning efforts and ensure that they are implemented." We are dedicated to addressing the challenges of preparing the Agency and its leaders for the expected losses from anticipated retirements and other separations. However, we also believe that we have made significant progress in this important initiative and have set in motion efforts to complete this milestone. The Office of Human Resources provides the following comments on the OIG findings, conclusions and recommendations as noted below:

#### **Top Senior Management Must Take an Active Role in Succession Planning Efforts:**

Presentations and recommendations on succession planning and executive development have been made on several occasions to senior Agency leaders comprising the EEOC's Executive Resources Board (ERB). The ERB is currently being reconstituted but previously included top level management representation in the form of the Chief Operating Officer, Director of Field Programs, Director of the Office of Federal Operations, Deputy General Counsel, and the Chief Human Capital Officer.

Development of a succession planning approach has been an evolutionary process which has included the following steps and interaction with senior leaders and Agency management staff:

- Development and presentation to the ERB of a Succession Leadership Management Plan-Framework (September 2007) which identified the business need and importance for such planning.

- Design of a leadership development program similar to the “Steps for Success” program used at the Department of Housing and Urban Development. This approach included a process for leadership assessment, preparation of an individual development plan and self-identification for an Agency leadership pool at all levels. This draft program was presented to ERB but was considered too costly and labor intensive with OHR staff directed to redesign the approach.
- Competition for EEOC’s four slots in OPM/FEI’s “Leadership for a Democratic Society” program. In 2007, the previous Chair directed that this training opportunity be publicized and open to competition among all Agency GS-15s and SESers. Eleven GS-15s were nominated and thus far six of these individuals have attended or are scheduled to attend the training. This has added to the pool of senior managers who have completed this training which addresses OPM’s five executive core qualifications for executive leadership.
- Design of an Executive and Senior Leadership Development Program and presentation to the ERB. As noted in the draft report, a copy of this proposed program was also circulated to the SES Advisory Council for comment. This program provides for the assessment, identification and development of management talent at the GS-14 and 15 levels. The ERB also directed that focus should be placed on developing GS-13/14 level leaders--OHR staff is currently designing this approach.
- Delivery of leadership and management training under the umbrella of the Management Development Institute (MDI). Developing current and future leaders has been a high priority for the Agency since the MDI was first instituted in FY 2003. However, the frequency of course delivery has fluctuated from year to year depending on the availability of the Agency’s limited training funds. One of the underlying principles of all Agency management training is that supervisors and managers are responsible for the development of their staff including preparation of those who will follow in their footsteps. Courses which have been delivered since the MDI’s inception include the following:

Fundamentals of Management (acting supervisors)—this course is being redesigned and will be titled “Emerging Leaders” and will include acting supervisors and non-supervisory employees aspiring to leadership positions.

New Manager Training (new managers with less than 2 years supervisory experience)--OHR will be delivering a second New Manager Training class in FY 2009 in addition to the session scheduled in May 2009 in order to address the high demand for this program.

Growing Leaders for the 21st Century and Beyond (experienced supervisors)—this was the first course given under the MDI beginning in FY 2003 and was intended to be given to all agency supervisors. It was delivered 11 times to over 250 supervisors and has now been incorporated into the New Manager Training program.

Fundamentals of Performance Management (experienced supervisors)—this course is aimed at helping EEOC supervisors become more effective in the area of managing staff performance and emphasizes the importance of focusing on results and accomplishments rather than activities. Approximately 100 managers have completed this training.



## **Integrating Succession Planning with Strategic Planning and Budget Process:**

- OHR staff are currently completing preparation of an Agency Human Capital Strategic Plan and have been in frequent contact with staff at the Office of Personnel
- Management to assure that the Plan meets their guidelines and requirements. Under the Leadership and Knowledge Management section of the Plan, objectives will include among others: implementation of a leadership succession planning process based on workforce analysis, identification of potential sources of talent, assessment of leadership competencies and identification of gaps, recruitment or development strategies needed to ensure availability of well qualified staff to full leadership positions at all levels, and as a key outcome, a return on investment analysis to determine the effectiveness of the Agency's efforts in succession planning.
- OHR expects to have significant input into revisions of the Agency's Strategic Plan as staff complete development of an EEOC Workforce Plan while considering objectives in the current Strategic Plan.
- EEOC was recently contacted by OPM staff regarding study of its management training program based on results of OPM's administered Federal Competency Assessment Tool—Management. EEOC supervisors participated in this survey when it was first offered in FY 2007 and again in FY 2008. We hope to partner with OPM to try to determine the effect that training programs delivered through our MDI may have on the effectiveness of leaders attending these classes.

We look forward to a continuing dialog with the Office of Inspector General as we develop, implement, evaluate and refine our approach to succession planning at the EEOC. We believe that through creativity and communication, we will be able to position the Agency for the future through the identification and development of talented leaders.

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**Attachment 2**

# **EQUAL EMPLOYMENT OPPORTUNITY COMMISSION**

**Washington, D.C. 20507**



Office of Inspector General

April 24, 2009

**MEMORANDUM**

**TO:** Aletha L. Brown  
Inspector General

**FROM:** Jeffrey Smith  
Chief Financial Officer

**SUBJECT:** Draft Report on the Strategic Management of Human Capital:  
Succession Planning (OIG Report No. 2007-07-ADV)

Thank you for sharing your draft report. We agree that succession planning is a key element to EEOC's success in retaining staff to fill vacant management positions thereby providing continuity of EEOC operations. As you may be aware, the agency plans to revamp its strategic plan in coordination with OMB and issue a final document by October 1, 2009. This would be a good time to revisit the inclusion of a specific measure for succession planning which Human Resources could champion and seek inclusion by the strategic plan team. However, if a measure that specifically states "succession planning" is not approved, we believe that human capital objectives can be better depicted in the strategic plan. When implemented the results of succession planning would have a direct impact on the reduction of our agency's workload activity and we could show that interrelationship in the Budget Justification.

Thank you for the opportunity to comment. Should you or your staff have questions, please feel free to contact Germaine Roseboro on extension 4238.

cc: Deidre Flippen, Director, Office of Research, Information and Planning

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## Footnotes

<sup>1</sup> The Obama Administration has not formally announced its management policy but it has been anticipated that the Administration will maintain key aspects of the Bush Administration's President's Management Agenda. A goal of the PMA called for reshaping organizations and developing talent and leadership to meet standards of excellence.

<sup>2</sup> See GAO reports: *GAO-04-127T- HUMAN CAPITAL Succession Planning and Management is Critical Driver of Organizational Transformation*, October 1, 2003 *GAO-08-762T HUMAN CAPITAL Transforming Federal Recruiting and Hiring Efforts*

<sup>3</sup> The Chief Human Capital Officer's position has been vacant since June 2008. In January 2009, the Agency created a Deputy Director Position in the Office of Human Resources that serves as the Acting CHCO in the absence of the CHCO in conflict with EEOC Orders 110.002

<sup>4</sup> The SES Advisory Council is composed of the Director, Office of Field Programs (OFP); the Deputy General Counsel; Associate Legal Counsel, and District Directors from St. Louis, Los Angeles, and Memphis.