



**Performance Audit  
City Could Strengthen  
Succession Planning Policy**

December 2015



**Office of the City Auditor**

**City of Kansas City, Missouri**

02-2016



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HEART OF THE NATION



KANSAS CITY  
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December 9, 2015

Honorable Mayor and Members of the City Council:

This audit of the city's draft succession planning policy focuses on the comparison of the draft policy to succession planning recommended practices. Succession planning is an on-going process of identifying critical positions necessary to achieve the city's goals and developing employees to fill future gaps in those positions. The Human Resources Department developed the draft succession planning policy and plans to implement it in 2016.

The city's draft policy incorporates most recommended practices for succession planning including: active support from top management; assignment of roles for implementation; consideration of departments' strategic plans; collection of data to analyze workforce trends; analysis of workforce supply and demand; identification of necessary workforce competencies; development of pools of employees rather than select individuals; use of formal training and development activities to prepare employees; and incorporation of knowledge transfer tools to maintain historical and technical knowledge of employees leaving critical positions.

The Human Resources Department could strengthen the draft policy by including some additional recommended practices. The policy should require departments to compare current workforce staffing and skills to what the departments will need in the future. The draft policy should expand how critical positions are defined and identify risk factors to those positions so that departments will know where to focus their succession planning efforts. To ensure the effectiveness and hold management accountable for the success of succession planning, the policy should include a performance measurement requirement. Finally, to ensure managers responsible for developing their employees have the skills to conduct succession planning, the policy should include a requirement for training managers on succession planning.

The draft report was sent to the director of human resources on November 17, 2015 for review and comment. His response is appended. We would like to thank Human Resources staff for their assistance and cooperation during this audit. The audit team for this project was Jason Phillips and Sue Polys.

A handwritten signature in blue ink that reads "Douglas Jones". The signature is written in a cursive, flowing style.

Douglas Jones  
City Auditor



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# City Could Strengthen Succession Planning Policy

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## Introduction

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### Objectives

We conducted this audit of the city's draft succession planning policy under the authority of Article II, Section 216 of the Charter of Kansas City, Missouri, which establishes the Office of the City Auditor and outlines the city auditor's primary duties.

A performance audit provides findings or conclusions based on an evaluation of sufficient, appropriate evidence against criteria. Performance audits provide objective analysis to assist management and those charged with governance and oversight in using the information to improve program performance and operations, reduce costs, facilitate decision making, and contribute to public accountability.<sup>1</sup>

This report is designed to answer the following question:

- Has the city developed a succession plan to maintain institutional knowledge, expertise, and leadership continuity?

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### Scope and Methodology

Our review compares the city's draft succession planning policy to recommended practices. Our audit methods included:

- Interviewing Human Resources staff about practices and reviewing the city's draft succession planning policy to identify elements of the policy.
- Reviewing succession planning literature and succession plans from other public entities to develop a list of recommended practices for analyzing workforce demographics, identifying key positions, and conducting succession planning.
- Comparing the city's draft succession planning policy to recommended practices to determine which recommended

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<sup>1</sup> Comptroller General of the United States, *Government Auditing Standards* (Washington, DC: U.S. Government Printing Office, 2011), p. 17.

practices the city policy includes and to identify areas of potential improvement.

- Developing retirement eligibility percentages for each department to identify departments that could be affected by retirements.

We conducted this performance audit 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. No information was omitted from this report because it was deemed privileged or confidential.

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## **Background**

### **Succession Planning**

Succession planning is the ongoing process of identifying critical positions and developing employees to fill those positions to meet the future needs of an organization. Succession planning increases the availability of experienced and competent employees to assume more challenging roles to fill staffing gaps.

When succession planning is conducted properly, it can help attract and retain employees and encourages the transfer of knowledge from employees vacating positions to those remaining with the organization.

### **City's Draft Succession Planning Policy**

The Human Resources Department developed a draft succession planning policy, the Workforce Advancement Model. The policy lays out a framework for departments to implement succession planning. The policy includes the following components:

- Identifying departmental goals and objectives.
- Analyzing the workforce.
- Implementing strategies to fill workforce gaps.
- Evaluating the plan outcomes.

One strategy included in the draft policy to be used to fill workforce gaps is job auto-reclassifications within a job family<sup>2</sup> (e.g. graduate engineer to registered engineer to senior registered engineer). An employee achieves the reclassification based on meeting defined competencies. This reclassification process is already in use in the city but Human Resources is incorporating the process into a larger succession planning policy. The Human Resources Department anticipates implementing its draft policy in January 2016.

### **Number of Employees Eligible to Retire**

Approximately 33 percent of current city employees will be eligible to retire within the next five years. (See Exhibit 1.)

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<sup>2</sup> A job family is a series of progressively higher, related jobs but each successive job requires additional skills, competencies, education, certification, and/or experience.

Exhibit 1. Employees Eligible to Retire During Next Five Years by Department<sup>3</sup>

Department	Employees Eligible to Retire as of			
	September 1, 2015 <sup>4</sup>		September 1, 2020 <sup>5</sup>	
	Number	Percent	Number	Percent
General Services	68	32.2%	116	55.0%
City Auditor's Office	2	18.2%	6	54.5%
Human Relations	2	9.1%	12	54.5%
Municipal Court	14	25.0%	25	44.6%
City Planning and Development	27	23.3%	51	44.0%
Parks and Recreation	49	19.3%	100	39.4%
Public Works	44	13.5%	126	38.5%
Aviation	62	14.5%	144	33.6%
Law	9	13.4%	22	32.8%
Finance	11	12.0%	30	32.6%
Conventions and Entertainment Facilities	12	15.8%	23	30.3%
Water Services	108	12.4%	258	29.6%
Fire Department	173	13.8%	364	29.1%
Health	16	11.9%	38	28.4%
Neighborhoods and Housing Services	20	13.1%	43	28.1%
Human Resources	4	11.1%	10	27.8%
City Manager's Office	5	7.2%	16	23.2%
Mayor and Council	1	3.7%	3	11.1%
City Clerk	0	0.0%	0	0.0%
Total	627	14.9%	1,387	33.0%

Source: PeopleSoft Human Resource Management System and City Auditor's Office Calculations.

<sup>3</sup> Police Department employees are not included in our analysis.

<sup>4</sup> Fire Department's date for retirement eligibility for this column was December 1, 2015.

<sup>5</sup> This column refers to the total number of current employees that become eligible to retire between now and September 1, 2020.

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## Findings and Recommendations

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### Summary

The city's draft succession policy incorporates most recommended practices for succession planning including: active support from top management; assignment of roles for implementation; consideration of departments' strategic plans; collection of data to analyze workforce trends; analysis of workforce supply and demand; identification of necessary workforce competencies; development of employee pools rather than select individuals; use of formal training and development activities to prepare employees; and incorporation of knowledge transfer tools to maintain historical and technical knowledge of employees leaving critical positions.

The Human Resources Department could strengthen the draft policy by including some additional recommended practices. For example, the draft policy does not explicitly require or describe gap analysis. To ensure gap analysis is effectively performed, the policy should require departments to compare current workforce staffing and skills to the anticipated staffing and skills departments will need in the future. The draft policy should expand how critical positions are defined and identify risk factors to those positions so that department will know where to focus their succession planning efforts.

To ensure the effectiveness and hold management accountable for the success of succession planning, a performance measurement requirement should be added to the policy. Finally, to ensure managers responsible for developing their employees have the skills to conduct succession planning, the policy should include a requirement for training managers on succession planning.

Factors outside the succession planning policy pose potential challenges and may affect its success. These challenges include communication of the policy to management and employees; participation by departments; succession planning expertise needed by departments; and competition for employees between departments created by auto-reclassification.

## **Draft Policy Incorporates Most Recommended Practices, But More Should Be Included**

The city's draft succession planning policy incorporates most recommended practices for succession planning. However, including some additional recommended practices would strengthen the policy. In order to ensure departments effectively identify gaps in supply and demand of workforce and skills, the policy should require departments to compare current workforce staffing and skills to anticipated staffing and skills needed in the future. To ensure that the city has succession plans for positions most important to the city achieving its goals, the policy should expand how critical positions are defined and identify risk factors that may negatively affect hiring and retention for these positions. To ensure the effectiveness and hold management accountable for the success of succession planning, the policy should include a performance measurement requirement. Finally, to ensure managers responsible for developing their employees have the skills to conduct succession planning, the policy should include a requirement for training for managers on succession planning.

### **Draft Policy Incorporates Most Recommended Practices**

The city's draft succession planning policy incorporates most recommended practices for succession planning. (See Exhibit 2.) Human Resource Department management expects the city's draft policy to receive active support from top management through the city manager's approval of an administrative regulation. The draft policy calls for department directors to hold managers accountable for implementing succession planning and assigns roles for implementing the policy. The draft also recognizes the need for workforce planning to flow from the department's strategic plans. It outlines that departments have the task of first determining the department's goals and objectives and then determining their workforce strategy to meet these goals and objectives.

The draft succession planning policy supports the recommended practice of incorporating data into the succession planning process. Under the draft policy, the Human Resources Department will produce a report to track retirement eligibility, turnover, and other related retention and hiring trends and will assist departments with determining their future supply of and demand for employees.

Exhibit 2. Draft Policy's Use of Recommended Practices for Succession Planning

Recommended Practice	Followed	Partially Followed	Not Followed
Ensure active support of top management.	X		
Clarify implementation roles and responsibilities.	X		
Assess future service needs of the organization based on business or strategic plan.	X		
Collect data (such as reasons for turnover, turnover rates, retirement eligibility rates).	X		
Perform supply analysis (current profile of workforce and projection of what staffing levels will be after attrition).	X		
Perform demand analysis (competencies and staffing needs for the future).	X		
Identify critical competencies.	X		
Communicate succession plan to employees.	X		
Provide formal training to employees (including leadership training, if applicable) to develop competencies.	X		
Provide developmental assignments in addition to formal training such as job shadowing, job rotation, etc.	X		
Develop written policies and procedures to facilitate knowledge transfer.	X		
Develop a pool of qualified employees.	X		
Provide a formal written succession plan as a framework for succession initiatives.	X		
Consider developing human resource policies that are attractive for recruiting and retaining employees.	X		
Perform gap analysis of both skills and staffing.		X	
Identify critical positions and consider risks to filling and retaining.		X	
Monitor, evaluate, and measure program performance.		X	
Train managers to conduct succession planning.			X

Source: City Auditor's Office review of succession planning literature and succession plans from other cities.

The draft policy, consistent with recommended practices, states that competencies (knowledge, skills, and abilities) required to deliver future services needs to be identified. While the draft policy does not detail how the city will communicate the succession planning policy to employees, it does state that through collaboration between Human Resources and departments employees must understand the career paths and competencies they must demonstrate to succeed. As recommended for succession planning in the public sector, the draft policy states that its purpose is to develop a talent pool, rather than select individuals. Developing a pool of employees for succession planning, respects the public sector's requirements for open and competitive hiring and personnel system rules. Developing a pool of employees also leads to improved overall performance of the organization.

Consistent with recommended practices, the policy assigns departments the task of identifying and providing formal training to employees in order to develop needed competencies. Additionally, the draft policy incorporates job shadowing/rotation, and work-out-of-class, as well as planned job assignments, coaching, and assessment and feedback, which should assist employees in acquiring perspective, exercising judgement, and collaborating. The policy provides a knowledge transfer tool to retain institutional knowledge when employees are retiring or changing positions. Finally, the policy itself represents a formal written framework for succession initiatives.

Outside the policy, the city has already implemented the recommended practice to consider human resource policies that are attractive for recruiting and retaining employees. For example, the city recently approved a parental leave policy and is testing a flextime policy.

### **Additional Recommended Practices Could Strengthen Succession Planning Policy**

The city's succession planning policy could be strengthened by adding some additional recommended practices. The policy should require departments to compare current workforce staffing and skills to anticipated staffing and skills that departments will need in the future; expand its description of critical positions; require performance measures; and require training managers on succession planning.

**Policy should clearly require and describe gap analysis.** The draft succession planning policy does not explicitly require or describe gap analysis; it only states that the Human Resources Department will collaborate with departments to develop strategies to address the gaps. Succession planning recommended practices call for gap analysis and describes it as determining the gaps between workforce supply and demand. The gaps are in staffing and skills required to fulfill future organizational needs. Departments must identify the gaps before they can develop effective strategies for filling the gaps.

In order to ensure gap analysis is performed effectively, the director of human resources should include in the succession planning policy a requirement that departments compare current workforce staffing and skills to what the departments will need in the future.

**Policy should expand its description of critical positions.** The draft succession planning policy does not fully describe potential critical positions and the risk factors associated with those positions that departments should consider in their analysis. The city's draft

succession policy briefly states departments should identify “pivotal jobs that drive strategy and revenue.” Recommended practices define critical positions as positions necessary for an organization to achieve its goals. These positions can include:

- Positions responsible for making key decisions;
- Positions with highly specialized knowledge and expertise level; and
- Positions considered as “mission-critical” and vital to providing essential services.

Once the organization identifies the critical positions, further analysis is necessary to determine whether the positions have succession planning challenges and strategies to cope with the challenges. The organization should consider whether these critical positions are at risk of vacancy because they are:

- Hard to fill due to requiring specialized knowledge, training, or a skill set that can only be gained by working in the organization;
- Difficult to retain (due to factors such as work environment, wages, work hours, etc.); and/or
- Have high retirement eligibility.

In order for departments to identify all critical positions and consider risk factors that can help departments focus succession planning efforts where the risk is the highest, the director of human resources should expand how critical positions are defined and identify risk factors for critical positions in the succession planning policy.

**Policy should include performance measurement.** While the draft policy includes a section on areas of the city’s succession planning that should be reviewed, it does not require performance measures to determine the success of succession planning efforts. Recommended practices state it is essential to evaluate succession planning efforts to determine whether they are effective and achieving appropriate outcomes. Performance measures are recommended to help evaluate those outcomes and hold management accountable for achieving results. Succession planning is an on-going process and by continually evaluating it, an organization can make needed revisions for improvement. Depending on the department’s succession planning needs, examples of performance measures could include customer satisfaction levels, turnover ratios, time to fill positions, selection rates from talent pools, etc.

In order to evaluate and measure the effectiveness as well as hold management accountable for success of the city's succession planning, the director of human resources should include a performance measurement requirement in the succession planning policy.

**Policy should address management training for succession planning.**

The city's draft succession planning policy does not address whether the city will train management to conduct succession planning. Succession planning literature states that managers should participate in training on how to develop the talent of their direct reports. The draft succession policy places a significant amount of responsibility on the departments. While many of the responsibilities in the policy are classified as a collaboration between departments and Human Resources, departments are responsible for initiating the auto-reclassification process, developing competencies, and identifying appropriate training for employees. Training department managers will help ensure they have the knowledge to perform these tasks effectively. Having managers in all departments trained in the skills necessary to develop the talent of their direct reports will also help ensure consistency in city practices and promote equity in the treatment of employees.

In order to ensure management is trained to conduct succession planning, the director of human resources should include in the policy a requirement for training managers in succession planning.

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## **Potential Challenges for Implementation of the Succession Planning Policy**

While the focus of this audit is on the comparison of the city's draft succession planning policy to recommended practices, we identified factors outside the actual policy that may affect its success. We offer the following observations about implementation for consideration.

- **Communication of the plan to management and employees is important.** Communication of a significant initiative will impact its success. Sharing information on a continual basis is critical. The city's succession plan needs to be communicated both to management and employees. Management will need to understand the complexities of the policy in order to implement it. Employees will need to know about it in order to participate in it.
- **Department participation may be a challenge.** Although the city manager is expected to sign an administrative regulation

outlining the succession planning policy, departments are not required by the policy to participate. Succession planning requires significant effort by departments but departments have many other priorities. The benefits of succession planning are often in the future, which may make it seem less pressing to departments in the short term.

- **Departments will need guidance from Human Resources.** While departments are the experts about critical positions and staffing needs in order to meet department goals and objectives, the Human Resources Department should have the expertise in succession planning. Departments have been assigned numerous roles in the draft succession planning policy, but will likely need Human Resources' assistance and guidance to implement it.
- **Auto-reclassification component of policy could create competition for employees between departments.** Auto-reclassifications (reclassification within a job family based on meeting defined competencies) are created at the initiative of a department. They provide a clear advancement path for employees in a job family and do not require an opening at a higher level position to move up. Although job families may be common to more than one department, the auto-reclassification only applies to the department that requested and justified it. If two departments share a job family and one of the departments creates an auto-reclassification within the job family and the other does not, employees may transfer to the department that offers the auto-reclassification, due to its more likely potential for advancement.

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## Recommendations

1. The director of human resources should include in the succession planning policy a requirement that departments compare current workforce staffing and skills to what the departments will need in the future.
2. The director of human resources should expand how critical positions are defined and identify risk factors for critical positions in the succession planning policy.
3. The director of human resources should include a performance measurement requirement in the succession planning policy.

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4. The director of human resources should include in the succession planning policy a requirement for training managers in succession planning.

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## **Appendix A**

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### **Director of Human Resources' Response**

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## Inter-Departmental Communication

### Human Resources Department



**Date:** December 1, 2015

**To:** Douglas Jones, City Auditor

**From:**  Gary O'Bannon, Director of Human Resources

**Subject:** Response to Performance Audit: *City Could Strengthen Succession Planning Policy*

- 1. The director of human resources should include in the succession planning policy a requirement that departments compare current workforce staffing and skills to what the departments will need in the future.***

Agree. The Human Resources Department will work collaboratively with departments on current workforce trends, including but not limited to:

- Monitoring departmental turnover by job classification
- Reviewing the departmental workforce demographics report (emphasis on current and future retirement eligibility numbers)
- Monitoring recruiting and selection statistics to ensure that we are able to attract and retain key/critical positions and the supply of qualified applicants meets the demand
- Reviewing departmental strategic plans to assist with future departmental needs, which will assist with meeting key goals and performance indicators

- 2. The director of human resources should expand how critical positions are defined and identify risk factors for critical positions in the succession planning policy.***

Agree. The Human Resources Department will work with departments on how to identify and define critical positions, as well as potential risk factors through discussions with departments on:

- Identifying positions responsible for making key departmental decisions
- Identifying positions with highly specialized knowledge and expertise
- Identifying job classifications with high turnover that are critical to the operation of the department
- Identifying divisions/sections within the department that will be hit by the retirement bubble (requires further breakdown of the workforce demographics report)
- Assisting departments with cross-training and transition plans to gain the expertise required, this would assist in identifying the critical positions and vital to providing essential services

**3. *The director of human resources should include a performance measurement requirement in the succession planning policy.***

Agree. The Human Resources Department will assist departments with developing performance measures to determine the success of their succession planning efforts based on trend analysis and tracking of departmental metrics such as:

- Identifying and reporting on customer service satisfaction levels
- Monitoring and reporting on turnover ratios for the previously identified critical positions
- Monitoring and reporting on the ability to hire qualified applicants from within the organization verses external hires for previously identified critical positions

**4. *The director of human resources should include in the succession planning policy a requirement for training managers in succession planning.***

Agree. The Human Resources Department already provides training for supervisors and managers as part of the *Human Resources Management Academy, Advanced Human Resources Management Academy* and other curriculums. However, we will provide more specific trainings and discussions on succession planning including but not limited to:

- Initial rollout with Department Directors during the *City Manager's Monthly Directors' Meeting*
- Training with departmental Liaisons
- Attendance at departmental director's staff meetings (upon request)
- Training video vignettes using the *EJ4 ThinkZoom* platform

The Human Resources Department and the City are committed to a strong succession planning effort and shall incorporate the above recommendations and action items into the Workforce Advancement Model documents.

cc: Troy M. Schulte, City Manager