



City of Independence

Review of Succession Planning Policies

City of Independence, Missouri

**Report to the Mayor and City Council
By City Management Analyst
September 19, 2016
Report No. 16-01**

City of Independence

City Council Office



September 19, 2016

Honorable Mayor and Members of the City Council:

This report was assigned by the Audit and Finance Committee in June 2016 and was initiated by the City Management Analyst pursuant to Chapter 1, Article 43 of the City Code of Ordinances. The report reviews the City's succession planning policies and best practices in public sector succession planning.

This audit revealed that no formal succession plans or policies are in place either citywide or at a departmental level. However, several department directors reported implementing steps to address the underlying realities related to succession of key positions and tasks. Research into the topic of succession planning found several best practices common to existing public sector succession plans. These best practices combined with the steps being implemented by department directors should serve as the basis for a succession planning policy moving forward.

Staff from the Human Resources Department reviewed a draft of this report. The draft report was also reviewed by the City Manager and City Counselor, and a response from the City Counselor is appended. Finally, members of the Audit and Finance Committee reviewed this report before it was finalized. The cooperation of all those who provided assistance is greatly appreciated.

Respectfully,

A handwritten signature in black ink, appearing to read "Jordan Ellena", is written over a thin horizontal line.

Jordan Ellena

City Management Analyst

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Introduction

Objectives

This review of the City's succession planning policies was conducted under the authority of Section 2.11 of the Charter of Independence, Missouri, which establishes the position of City Management Analyst and Article 43 of Chapter 1 of the City Code outlining the primary duties.

A performance audit provides findings or conclusion based on an evaluation of sufficient, appropriate evidence against criteria. Performance audits provide objective analysis to assist the City Council and management staff in using the information to improve program performance and operations, reduce costs, facilitate decision making, and contribute to public accountability.

This report is designed to answer the following questions:

- How will each City department be impacted by future retirements?
- Are there any succession plans in place and/or preparations being made to address the loss of critical employees, institutional knowledge, and/or technical skill from these retirements?
- What tools or policies should be in place to facilitate the transfer of key processes, tasks, and historical information as employees retire or otherwise move on?
- How does Independence compare with peer cities in the projected impact of retirements?

Scope & Methodology

This review compares the City's current succession planning policies to recommended best practices. Audit methods included:

- Interviewing human resources staff internally about succession planning practices and policies.
- Reviewing succession planning literature and succession plans from other municipalities to develop a list of best practices.
- Developing retirement eligibility percentages for each City department to identify how each might be affected by retirements.
- Interviewing human resource directors from peer cities about their succession planning policies and the demographics of their workforces.

This performance audit was conducted in accordance with generally accepted government auditing standards. Those standards require that each audit is planned and performed to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on the audit objectives. The evidence uncovered during this audit provides a reasonable basis for the findings and conclusions based on the objectives. No information was omitted from this report because it was deemed privileged or confidential.

Background

Succession Planning

Succession planning is the ongoing process of identifying critical positions, developing employees to fill those positions and then facilitating the transfer of critical knowledge within the organization to meet

the challenge of a changing demographic in the workforce and loss of key personnel.¹ A succession plan can help focus an organization on meeting these challenges by laying out a formal structure to identify employment gaps, attract and retain employees through employee development programs, and ensure that critical knowledge is not concentrated in just a few individuals.

How We Got Here

During departmental budget presentations, the human resources director reported that 42% of the City's workforce is currently eligible for regular or early retirement or will be within 5 years. This prompted the Audit and Finance committee to assign the Management Analyst the task of trying to answer the preceding four questions regarding succession planning initiatives in the City of Independence.

Percent of Employees Eligible to Retire & Employee Tenure

Approximately 42% of current City employees will be eligible to retire within the next five years. The chart below illustrates how each department will be impacted.

Department	Employees Eligible to Retire as of			
	December 31, 2015		December 31, 2020	
Department	Number	Percent of Dept.	Number	Percent of Dept. *
City Clerk	0	0%	2	29%
City Council	1	11%	5	67%
City Manager	3	43%	0	43%
Community Development	5	28%	2	39%
Finance	6	30%	4	50%
Fire Administration	1	20%	4	100%
Fire Suppression	34	21%	28	38%
Health	6	18%	8	42%
Human Resources	2	40%	1	60%
Law	2	25%	3	63%
Municipal Court	3	23%	1	31%
National Frontier Trails Museum	1	25%	2	75%
Parks & Recreation	5	16%	2	23%
Police (non-public safety)	17	20%	11	34%
Police	27	14%	35	31%
Power & Light	67	31%	51	55%
Public Works	14	23%	9	38%
Tech Services	7	33%	1	38%
Tourism	1	25%	2	75%
Water	21	26%	20	50%
Water Pollution Control	20	28%	12	44%
Total	243	22.99%	203	42.19%

¹ Ohio Department of Administration Services - Learning and Development, *Succession Planning Manual*, 2014

* Current + 5 Years

Source: Human Resources Department documentation of retirement eligibility
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Findings & Recommendations

Summary

Nationwide employment data has shown for some time that the American workforce is in the midst of a “Silver Tsunami” of retiring baby-boomers. Many of these baby-boomers held off on retiring as long as they could, because of recent economic uncertainty, but will soon depart the workforce and accelerate the drain of knowledge and leadership from their organizations. This baby-boomer generation began retiring earlier this decade, and the expectation is that roughly 10,000 boomers will exit the workforce each day between now and the end of the next decade. The City of Independence currently has 286 employees in the baby-boomer generation and since 2011 nearly one third (28.3%) of our workforce has retired. All indications point to the fact that we are well within this wave of retirements already.

This audit revealed that no formal succession plans or policies are in place either citywide or at a departmental level, although the Human Resources Department has provided a retirement analysis report each year for the last decade. This report outlines retirement data similar to Table 1. Several department directors reported implementing steps to address the underlying realities related to succession of key positions and tasks. By and large, directors did not think of their initiatives as succession planning but in reality that is exactly what they are trying to address by taking some commonsense steps. Some examples include developing a master list of departmental tasks, assessing leadership competencies of new hires (especially mid-level), and the sharing of internal information and documentation within the department.

When compared to other peers, Independence is not alone in lacking formal succession plans or policies. The current trend toward succession planning has come to the public sector by way of the federal government and largest cities adopting models similar to the private sector. Smaller and mid-sized cities are only recently coming around to realize they need to start planning for this “Silver Tsunami”. To illustrate, Kansas City adopted a succession planning policy around the end of 2015 after larger cities like New York and Chicago. Mid-sized cities (between 20,000 and 200,000 population) have, by and large, not yet adopted these policies. The reasons for this slow adoption include little demand in the smallest communities and a lack of time and resources in the mid-sized ones. It is clear that prioritizing succession planning within these organizations is the first step followed by implementation of low cost efficient solutions.

The other question asked in this audit was, “How does Independence compare with peer cities in the projected impact of retirements?” Based on interviews with human resources directors from peer cities² we compare similarly with the percentage of employees in the age groups between 30 and 60. Independence falls short in the employment of younger workers between 18 and 30. That group makes up only 11% of our workforce compared to 20% on average for the other communities. This is a strong indication that succession planning needs to be a priority moving forward. If our workforce continues to

² Blue Springs, MO; Lee’s Summit, MO; Olathe, KS and Springfield, MO

stay older on average than our peers, we will miss the opportunity to develop an internal pool of young future leaders.

Finally, research into the topic of succession planning found several best practices common to existing public sector succession plans. These practices include: identifying employment gaps by analyzing workforce data, developing and retaining a deep talent pool, transferring critical knowledge in an organized manner, and lastly monitoring outcomes to assess how the plan is working. These best practices should serve as the basis for a succession planning policy that institutionalizes some of the things already going on in the departments.

Findings

The Wave is here

The so called “Silver Tsunami” is a metaphor used to describe population aging. In many ways it has come to illustration the impacts of an aging population on everything from the medical field, Social Security, neighborhoods and society in general. In our context we can think of it as the impact of significant numbers of baby-boomers retiring from the workforce and taking their knowledge and expertise with them. How we deal with these losses and plan for the future is what succession planning is all about.

Table 2 below shows the number of retirements by year and the average age of these retirees. The chart indicates a speeding-up of retirements as we get further from the economic downturn of 2008. In fact, in 2016 we are on pace to see the highest number of retirements in nearly 10 years. Between 2011 and 2016 YTD 28.3% (nearly 1/3) of our workforce has retired. These figures combined with the 42% of staff who currently eligible or who will be eligible for regular or early retirement within 5 years, indicate that we are in the midst of this massive wave. For this reason, it seems imperative for us to plan for the orderly succession of individuals and information from one generation to the next.

Table 2. Retirement Numbers (by Year) & Average Age of Retirees		
Year	Number of Retirements	Average Age of Retiree
2009	17	57
2010	35	60
2011	61	59
2012	43	60
2013	35	58
2014	47	61
2015	43	58
2016 YTD*	54	59
Total Average	42	59
* as of 8/25/2016		
Source: Employee data from the Human Resources Department		

General Findings

Succession planning as a topic has been a major focus of the private sector for more than 20 years. The idea of planning for succession in leadership and institutional knowledge made its way from the private sector to the public sector through the federal government and large cities.³ This focus on succession planning came from the realization that as the “Silver Tsunami” of retiring baby-boomers hits; many organizations are not prepared for the substantial loss in senior leadership and institutional knowledge. The federal government realized that the private sector had been successfully dealing with succession planning for at least the previous decade and began to implement formal succession plans at that time.⁴

In small-to-medium sized cities, human resource directors are also coming around to this realization. According to the International Public Management Association for Human Resources, *2014 Benchmarking Survey* on talent management, 4 out of 10 public sector human resource professionals expect their agencies to lose 20 percent or more of their employees through retirement in the next five years. Only 27 percent of survey respondents reported having a succession plan in place.⁵ As an example, Kansas City only recently adopted a comprehensive succession planning policy at the end of 2015. Their policy relies heavily on the plans of other large cities. Smaller cities like Blue Springs, Lee’s Summit, Olathe, and Springfield are only now beginning to contemplate the need for a comprehensive approach to succession planning.

Based on a review of peer cities, most mid-sized cities do not currently have formal succession planning policies. There are a several reasons succession planning has not yet taken hold in some cities. The first is that in many cases there is simply not enough staff to warrant any real planning for the departure of key individuals. Any retirements or departures are addressed on a case-by-case basis because there is no internal pool of candidates to fill leadership positions. The more important reason for the lack of succession planning relates to a lack of time and resources. According to the same 2014 Human Resources Benchmarking Survey above, respondents cited limited time and management’s focus on day-to-day business as barriers to succession planning.

Independence and other cities of similar size fall into this middling situation where they recognize the problem is coming but are either understaffed or operating under a different set of priorities. The biggest challenge moving forward will be to prioritize succession planning and then to identify what policies can be implemented efficiently to limit costs and strains on manpower.

How does Independence compare with peer cities in projected impact of retirements?

We know that 42% of the City’s workforce is within five years of retiring. How does that compare with other peer municipal governments?

Age	Independence	Blue Springs	Lee’s Summit	Olathe	Springfield
18-30	11%	24%	15%	20%	22%
31-40	25%	22%	22%	21%	24%
41-50	29%	21%	26%	25%	22%

³ The Waters Consulting Group Inc., *A Gathering Storm: Succession Planning in the Public Sector*, June 2007

⁴ Brain Wilkerson, *Effective Succession Planning in the Public Sector*, Watson Wyatt Worldwide, 2007

⁵ International Public Management Association

51-60	27%	21%	25%	23%	21%
61-70	7%	10%	11%	10%	9%
71-89	1%	2%	1%	1%	2%
Source: Questionnaires to human resources directors in comparison cities					

Table 3 shows that Independence compares similarly to our peers in the percentage of employees between the ages of 30 and 60. On the other hand, our workforce tends to skew a bit older, employing fewer young people between 18-30 years old. Eleven percent of employees in Independence are between the ages of 18 and 30, well below the others. Additionally, according to Human Resources the average age of an employee with the City of Independence is 44.8 years old. Together, these figures indicate an older workforce than our peers.

Consider also the tenure of our employees. Table 4 shows a breakdown of employee tenure by department and the overall percentages citywide. Thirty-two percent (32%) of City employees have tenure of between 0-5 years with the organization. This indicates that we have been hiring a substantial number of new employees over the past five years. However, these new employees must be older on average to account for both the average age of our workforce (44.8 year) and the relatively low (11%) percentage of young (18-30 year olds) employees. This signals a potential challenge to building pools of internal candidates for future leadership positions.

Department	0-5	6-10	11-15	16-20	21-25	26-30	31-35	36-40	41-45
City Clerk	57%	28%	-	14%	-	-	-	-	-
City Council	33%	-	33%	-	-	-	33%	-	-
City Manger	50%	-	33%	-	-	-	-	-	17%
Com. Dev.	19%	19%	31%	13%	6%	6%	-	6%	-
Finance	21%	16%	11%	26%	5%	11%	11%	-	-
Fire	30%	14%	16%	22%	3%	10%	3%	2%	>1%
Health	48%	21%	12%	12%	3%	3%	-	-	-
Human Resources	20%	20%	60%	-	-	-	-	-	-
Law	29%	-	13%	29%	-	29%	-	-	-
Muni. Court	31%	31%	8%	8%	14%	-	-	8%	-
Parks/Rec.	42%	30%	15%	9%	-	3%	-	-	-
Police	26%	22%	15%	21%	9%	4%	3%	>1%	-
Power & Light	28%	21%	15%	13%	5%	6%	6%	7%	>1%
Public Works	41%	12%	18%	16%	2%	-	2%	8%	-
Tech Serv.	37%	26%	5%	11%	5%	-	11%	5%	-
Tourism	54%	15%	15%	8%	-	8%	-	-	-
Water	37%	11%	10%	15%	4%	12%	6%	5%	-
WPC	39%	16%	24%	7%	3%	4%	3%	4%	-
Percentage Citywide	32%	18%	16%	16%	5%	6%	4%	3%	>1%
Source: Employee data from Human Resources Department as of December 31, 2015									

Departmental Findings

Interviews with Human Resources staff reveal that the City does not currently have any formal succession plans or policies in place. Succession planning policies would be defined as any rules, programs of support, trainings, or a particular emphasis on the topic. Directors did report several action steps they have taken to address the potential loss of key personnel and institutional knowledge. The tactics outlined by department directors during this audit generally fall into three categories discussed below.

Category one: Directors have identified critical jobs or tasks in each department and how backup is provided for each job or process. This is of critical importance for those tasks that must be handled to provide for the smooth running of the organization. For example, several departments have identified key jobs or tasks that absolutely need to be covered on a regular basis and some have taken steps to cross-train other staff members to fill-in when needed. In this case, there is sufficient staffing to ensure someone is always available, with proper training, to attend to customers. In the case of backup for specific technical information, secondary contacts have been identified, such as a consultant or firm who could be called on to assist if the designated person becomes unavailable.

Category two: Directors reported considering leadership abilities and other important qualities when hiring, especially for positions that have a logical path for promotions. The most common approach identified is for hiring managers to look for basic leadership skills and/or certain important personality traits that indicate the new hire has the drive and potential to grow into a future manager or director. Departments with bargaining units noted they are considering updating job descriptions for some positions to better reflect current duties and also to include requirements of leadership or management skills for each promotion. This is another way to help to create a pool of qualified candidates for future management positions.

Category three: Involves the successful transfer and sharing of knowledge within the department. One of the main reasons that succession planning is so important is because as key employees retire, or leave for other reasons, they take with them practical knowledge about how to do their job and also institutional knowledge about the organization. Interviews revealed potential solutions for the transfer of practical knowledge of the day-to-day processes. Common responses revolved around creating repositories of shared information like process files and calendars. One department has taken this a step further and has developed a master task list for each unit in the department. Each task is assigned a key contact (the person who normally handles this task) and then various backups and their contact information.

Best Practices

There is a wealth of sources that offer best practices applicable to the public sector, though many are geared toward the federal, state or larger municipalities. It will fall on mid-sized cities to adapt and modify these recommendations. The following best practices are a distillation of various proposals from various public sector resources.

Collect and analyze workforce data to develop hiring goals. Both internal and external data relating to the workforce should be collected and analyzed on a regular and ongoing basis. The data should be used to identify gaps in workforce supply and demand for key positions, as well as, to develop internal goals and prioritization.

Identify critical jobs/positions within the organization. A list of key jobs, tasks or positions critical to the organization should be developed. To develop this list a standardized evaluation process should be used. The list should also include when each position may become vacant.

Develop and retain a talent pool. Once the competency requirements of critical positions have been identified, the organization can begin to assess the fit of the internal talent pool. Any deficiencies either individually or as a group can be addressed with things like leadership or technical training.

Implement knowledge transfer strategies. As important as having highly qualified talent pool is, there also needs to be an effort to transfer technical and historical knowledge from one incumbent or group to another. For each critical position the strategy may be different. Some examples include: listing and cataloguing key tasks and processes, centralized document sharing, and on-the-job trainings.

Measure and monitor progress. Goals and objectives of any succession plan should be measured regularly, based on metrics outlined within it. The hiring goals and workforce data collected above should also play a key role in this monitoring process.

Recommendations

In the City's current situation, institutionalizing several of the succession planning tools being used within the departments will go a long way towards addressing some of the forthcoming challenges. In the long term, developing a formal succession planning policy would help ensure this remains a priority for the organization.

Identify Critical Jobs/Positions

1. Each City department should develop a list of critical jobs/position within their department. Each list should reflect the most important jobs (without which the department could not operate) and then work with human resources to identify when these positions may become vacant.

Knowledge Transfer for Prioritized Processes

2. Each City department should develop a master list of tasks that it performs. Each task should be accompanied by the name and contacts of the staff person or persons who currently oversee it, as well as, a backup contact (either within or outside the organization) who could be called on should the original contact become unavailable.
3. Each City department should take an inventory of all critical processes and duties within that department. For those processes where one person holds the information, and/or where special technical expertise is required, the department should develop some type of documentation (check lists, flowcharts, etc.) of the process.

Develop an Organization-wide Succession Planning Policy

4. Invest in training for key leaders within the organization on how best to approach the challenges of succession planning.
5. Develop a succession planning policy that includes the previous recommendations and incorporates the best practices for succession planning listed above.

Appendix A: City Counselor's Response

City of Independence

MEMORANDUM

Law Department

DATE: August 29, 2016

TO: Jordan Ellena, Management Analyst

FROM: Dayla Bishop Schwartz, City Counselor



SUBJECT: Report No. 16-01
Review of Succession Planning Policies

I have reviewed the draft report for Report No. 16-01, Review of Succession Planning Policies. I am of the opinion that there is nothing contained within the draft report that would expose the City to a lawsuit. Furthermore, it is my opinion that the draft report would not qualify for an executive session discussion before either the Council Audit and Finance Committee or the City Council.

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