HUMAN CAPITAL SUCCESSION PLANNING: HOW THE FEDERAL GOVERNMENT CAN GET A WORKFORCE TO ACHIEVE RESULTS

HEARING

BEFORE THE

SUBCOMMITTEE ON CIVIL SERVICE AND AGENCY ORGANIZATION

OF THE

COMMITTEE ON GOVERNMENT REFORM

HOUSE OF REPRESENTATIVES

ONE HUNDRED EIGHTH CONGRESS

FIRST SESSION

OCTOBER 1, 2003

Serial No. 108–116

Printed for the use of the Committee on Government Reform

Available via the World Wide Web: http://www.gpo.gov/congress/house
http://www.house.gov/reform

U.S. GOVERNMENT PRINTING OFFICE

92–409 PDF WASHINGTON : 2004

For sale by the Superintendent of Documents, U.S. Government Printing Office
Internet: bookstore.gpo.gov Phone: toll free (866) 512–1800; DC area (202) 512–1800
Fax: (202) 512–2250 Mail: Stop SSOP, Washington, DC 20402–0001

COMMITTEE ON GOVERNMENT REFORM

TOM DAVIS, Virginia, *Chairman*

DAN BURTON, Indiana
CHRISTOPHER SHAYS, Connecticut
ILEANA ROS-LEHTINEN, Florida
JOHN M. MCHUGH, New York
JOHN L. MICA, Florida
MARK E. SOUDER, Indiana
STEVEN C. LATOURETTE, Ohio
DOUG OSE, California
RON LEWIS, Kentucky
JO ANN DAVIS, Virginia
TODD RUSSELL PLATTS, Pennsylvania
CHRIS CANNON, Utah
ADAM H. PUTNAM, Florida
EDWARD L. SCHROCK, Virginia
JOHN J. DUNCAN, JR., Tennessee
JOHN SULLIVAN, Oklahoma
NATHAN DEAL, Georgia
CANDICE S. MILLER, Michigan
TIM MURPHY, Pennsylvania
MICHAEL R. TURNER, Ohio
JOHN R. CARTER, Texas
WILLIAM J. JANKLOW, South Dakota
MARSHA BLACKBURN, Tennessee

HENRY A. WAXMAN, California
TOM LANTOS, California
MAJOR R. OWENS, New York
EDOLPHUS TOWNS, New York
PAUL E. KANJORSKI, Pennsylvania
CAROLYN B. MALONEY, New York
ELIJAH E. CUMMINGS, Maryland
DENNIS J. KUCINICH, Ohio
DANNY K. DAVIS, Illinois
JOHN F. TIERNEY, Massachusetts
WM. LACY CLAY, Missouri
DIANE E. WATSON, California
STEPHEN F. LYNCH, Massachusetts
CHRIS VAN HOLLEN, Maryland
LINDA T. SANCHEZ, California
C.A. "DUTCH" RUPPERSBERGER, Maryland
ELEANOR HOLMES NORTON, District of Columbia
JIM COOPER, Tennessee
CHRIS BELL, Texas

BERNARD SANDERS, Vermont (Independent)

PETER SIRH, *Staff Director*
MELISSA WOJCIAK, *Deputy Staff Director*
ROB BORDEN, *Parliamentarian*
TERESA AUSTIN, *Chief Clerk*
PHILIP M. SCHILIRO, *Minority Staff Director*

SUBCOMMITTEE ON CIVIL SERVICE AND AGENCY ORGANIZATION

JO ANN DAVIS, Virginia, *Chairwoman*

TIM MURPHY, Pennsylvania
JOHN L. MICA, Florida
MARK E. SOUDER, Indiana
ADAH H. PUTNAM, Florida
NATHAN DEAL, Georgia
MARSHA BLACKBURN, Tennessee

DANNY K. DAVIS, Illinois
MAJOR R. OWENS, New York
CHRIS VAN HOLLEN, Maryland
ELEANOR HOLMES NORTON, District of Columbia
JIM COOPER, Tennessee

EX OFFICIO

TOM DAVIS, Virginia
HENRY A. WAXMAN, California

RONALD MARTINSON, *Staff Director*
B. CHAD BUNGARD, *Deputy Staff Director and Senior Counsel*
CHRIS BARKLEY, *Clerk*
TANIA SHAND, *Minority Professional Staff Member*

CONTENTS

	Page
Hearing held on October 1, 2003	1
Statement of:	
Messner, Howard M., president, National Academy of Public Administration; and Robert P. Gandossy, global practice leader, talent and organization consulting, Hewitt Associates	38
Mihm, J. Christopher, Director, Strategic Issues, U.S. General Accounting Office; and Dan G. Blair, Deputy Director, Office of Personnel Management	4
O'Connor, David J., Deputy Assistant Administrator for Administration and Resources Management, Environmental Protection Agency; Vicki A. Novak, Assistant Administrator for Human Resources and Chief Human Capital Officer, National Aeronautics and Space Administration; and William H. Campbell, Acting Assistant Secretary for Human Resources and Administration, Department of Veterans Affairs	73
Letters, statements, etc., submitted for the record by:	
Blair, Dan G., Deputy Director, Office of Personnel Management, prepared statement of	19
Campbell, William H., Acting Assistant Secretary for Human Resources and Administration, Department of Veterans Affairs, prepared statement of	91
Davis, Hon. Danny K., a Representative in Congress from the State of Illinois, prepared statement of	28
Davis, Hon. Jo Ann, a Representative in Congress from the State of Virginia, prepared statement of	3
Gandossy, Robert P., global practice leader, talent and organization consulting, Hewitt Associates, prepared statement of	60
Messner, Howard M., president, National Academy of Public Administration, prepared statement of	40
Mihm, J. Christopher, Director, Strategic Issues, U.S. General Accounting Office, prepared statement of	7
Novak, Vicki A., Assistant Administrator for Human Resources and Chief Human Capital Officer, National Aeronautics and Space Administration, prepared statement of	82
O'Connor, David J., Deputy Assistant Administrator for Administration and Resources Management, Environmental Protection Agency, prepared statement of	76

HUMAN CAPITAL SUCCESSION PLANNING: HOW THE FEDERAL GOVERNMENT CAN GET A WORKFORCE TO ACHIEVE RESULTS

WEDNESDAY, OCTOBER 1, 2003

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON CIVIL SERVICE AND AGENCY ORGANIZATION,
COMMITTEE ON GOVERNMENT REFORM,
Washington, DC.

The subcommittee met, pursuant to notice, at 2:03 p.m., in room 2203, Rayburn House Office Building, Hon. Jo Ann Davis of Virginia (chairwoman of the subcommittee) presiding.

Present: Representatives Jo Ann Davis of Virginia, Blackburn, Davis of Illinois, and Norton.

Staff present: Ronald Martinson, staff director; B. Chad Bungard, deputy staff director and senior counsel; Vaughn Murphy, legislative counsel; Robert White, director of communications; John Landers, OPM detailee; Chris Barkley, legislative assistant/clerk; Tania Shand, minority professional staff member; and Teresa Coufal, minority assistant clerk.

Mrs. DAVIS OF VIRGINIA. The Subcommittee on Civil Service and Agency Organization will come to order. We are going to go ahead and start. We would hope we will have a few more subcommittee members joining us here shortly. There is probably at least three other subcommittees of Government Reform going on at the present time, not to mention all of our other committees, so we are spread a little thin today.

I want to thank you all for joining us here today. In Congress we are constantly confronted with very immediate problems, the here and now, and we don't always have the time to step back and take a look at the bigger picture, and that is what we are going to do here today, to take a longer-term look at the Federal work force and some of the challenges confronting it.

Leadership succession in the public sector is a continuing concern among human resources managers at all levels of government, and in democracies across the globe. Today we will receive a General Accounting Office study detailing efforts in four nations: United Kingdom, Canada, Australia, and New Zealand.

And let me just stop here and say a welcome to a member of the Parliament of New South Wales who is with us today, Mr. Matt Brown. Matt, we welcome you and hope you will enjoy seeing how we do it on this side of the water.

Today, when we hear about these four nations, we will hear how they address the issue and some of the successful methods managers there have developed.

The GAO recommendations include making sure top level leadership is actively engaged in succession planning, linking succession planning to your strategic plan, identifying and grooming talented individuals early in their careers, and concentrating on development and training.

That seems like a good recipe to me, and I will particularly note the emphasis on staff development.

And I certainly hope that is not a vote that we are having just as we start. If we have to have a vote you will have to excuse us for a little bit if we take off. It seems to happen every time this subcommittee meets.

One of the tools that we as a Government have been sorely lacking is staff development and training, and that must change if we are to meet the challenges of the coming years.

We have heard for years now that the Federal Government faces a potential crisis in its top leadership. For example, as many as half of the Senior Executive Service could retire by 2005. Whether those worse case scenarios come true or not remains to be seen, but, regardless, we must do a better job of preparing the next generation of leaders.

I want to again thank our distinguished guests for being here, and it is nothing personal that we have to leave in the middle of votes every time you guys come, or someone from your office, but it tends to be happening here lately. I look forward to hearing your remarks.

[The prepared statement of Hon. Jo Ann Davis follows:]

TOM DAVIS, VIRGINIA
CHAIRMAN

DAN BURTON, INDIANA
CHRISTOPHER SHAYS, CONNECTICUT
ILEANA ROS-LEHTINEN, FLORIDA
JERRY M. MCNULTY, NEW YORK
C. MICA, FLORIDA
E. SOUDER, INDIANA
JEN C. LATOURETTE, OHIO
DOUG OSE, CALIFORNIA
RON LEWIS, KENTUCKY
JO ANN DAVIS, VIRGINIA
TODD RUSSELL PLATTS, PENNSYLVANIA
CHRIS CANNON, UTAH
ADAM H. PUTNAM, FLORIDA
EDWARD L. SCHROCK, VIRGINIA
JOHN J. DUNCAN, JR., TENNESSEE
JOHN SULLIVAN, OKLAHOMA
NATHAN DEAL, GEORGIA
CANDICE MILLER, MICHIGAN
TIM MURPHY, PENNSYLVANIA
MICHAEL R. TURNER, OHIO
JOHN R. CARTER, TEXAS
WILLIAM J. JANKLOW, SOUTH DAKOTA
MARSHA BLACKBURN, TENNESSEE

ONE HUNDRED EIGHTH CONGRESS

Congress of the United States

House of Representatives

COMMITTEE ON GOVERNMENT REFORM

2157 RAYBURN HOUSE OFFICE BUILDING

WASHINGTON, DC 20515–6143

MAJORITY (202) 225–5074
FACSIMILE (202) 225–3974
MINORITY (202) 225–5051
TTY (202) 225–6852

www.house.gov/reform

HENRY A. WAXMAN, CALIFORNIA
RANKING MINORITY MEMBER

TOM LANTOS, CALIFORNIA
MAJOR R. OWENS, NEW YORK
EDOLPHUS TOWNS, NEW YORK
PAUL E. KANJORSKI, PENNSYLVANIA
CAROLYN B. MALONEY, NEW YORK
ELIJAH E. CUMMINGS, MARYLAND
DENNIS J. KUCINICH, OHIO
DANNY K. DAVIS, ILLINOIS
JOHN F. TIERNEY, MASSACHUSETTS
WM. LACY CLAY, MISSOURI
DIANE E. WATSON, CALIFORNIA
STEPHEN F. LYNCH, MASSACHUSETTS
CHRIS VAN HOLLEN, MARYLAND
LINDA T. SANCHEZ, CALIFORNIA
C.A. DUTCH RUPPERSBERGER, MARYLAND
ELEANOR HOLMES NORTON, DISTRICT OF COLUMBIA
JIM COOPER, TENNESSEE
CHRIS BELL, TEXAS

BERNARD SANDERS, VERMONT,
INDEPENDENT

Chairwoman Jo Ann Davis
Subcommittee on Civil Service and Agency Organization
"Human Capital Succession Planning:
How the Federal Government Can Get a Workforce to Achieve Results"
Opening Statement
October 1, 2003

Thank you all for joining us here today. In Congress, we are constantly confronted with very immediate problems, the here-and-now, and we don't always have the time to step back at take a look at the bigger picture. That is what we are going to do today, to take a longer-term look at the federal workforce, and some of the challenges confronting it.

Leadership succession in the public sector is a continuing concern among human resources managers at all levels of government, and in democracies across the globe. Today, we receive a General Accounting Office study detailing efforts in four nations – the United Kingdom, Canada, Australia, and New Zealand – to address this issue, and some of the successful methods managers there have developed. The GAO recommendations include: making sure top-level leadership is actively engaged in succession planning, linking succession planning to your strategic plan, identifying and grooming talented individuals early in their careers, and concentrating on development and training.

That seems like a good recipe to me, and I will particularly note the emphasis on staff development. One of the tools we as a government have been sorely lacking is staff development and training, and that must change if we are to meet the challenges of the coming years.

We've heard for years now that the federal government faces a potential crisis in its top leadership – for example, that as many as half of the Senior Executive Service could retire by 2005. Whether those worst-case scenarios come true or not remains to be seen, but regardless, we must do a better job of preparing the next generation of leaders.

I again thank our distinguished guests for being here, and I look forward to hearing your remarks.

#####

Mrs. DAVIS OF VIRGINIA. Our ranking member, Mr. Davis, isn't here yet, and if you will allow me, when he does come in, I will break in between your testimonies to allow him to give his opening remarks, if he would like to.

I ask unanimous consent that all Members have 5 legislative days to submit written statements and questions for the hearing record, and that any answers to written questions provided by the witnesses also be included in the record. Without objection, it is so ordered.

I ask unanimous consent that all exhibits, documents, and other materials referred to by Members and the witnesses may be included in the hearing record, and that all Members be permitted to revise and extend their remarks. Without objection, it is so ordered.

One item in particular I would like to insert into the record is the testimony of the Department of Transportation regarding its plans for human capital succession planning. Unfortunately, they were not able to attend today, and, as such, the testimony will be submitted. Without objection, it is so ordered.

It is the practice of this committee to administer the oath to all witnesses, and if our witnesses could stand, I will administer the oath. And, actually, if all the witnesses would like to stand at one time, we can just do it all at once.

[Witnesses sworn.]

Mrs. DAVIS OF VIRGINIA. Let the record reflect that the witnesses have answered in the affirmative.

And if you will please be seated.

Our first witness today is here from the General Accounting Office. Chris Mihm is the Director of Strategic Issues at GAO. Following him will be another friend of this subcommittee, Dan Blair, the Deputy Director of the Office of Personnel Management. And we are very glad to have everyone who is here to testify before us today to discuss this issue.

Mr. Mihm, we will begin with you, and you are recognized for roughly 5 minutes. We don't have a timer, so be my guest.

STATEMENTS OF J. CHRISTOPHER MIHM, DIRECTOR, STRATEGIC ISSUES, U.S. GENERAL ACCOUNTING OFFICE; AND DAN G. BLAIR, DEPUTY DIRECTOR, OFFICE OF PERSONNEL MANAGEMENT

Mr. MIHM. Well, thank you, Madam Chairwoman. It is indeed an honor and a pleasure to appear before you today to discuss the need for increased attention to succession planning and management in the Federal Government. And I will take your guidance and use my oral statement and keep it just to around 5 minutes.

Consistent with the point that you made in your opening statement, my major point today is that the experiences of other countries provide insights to agencies here in the United States on how to engage on broad, integrated, that is, long-term views of succession planning and management; and that these efforts are central to identifying and developing the leaders, the managers, and the work force necessary to meet the governance challenges of the 21st century, that is that succession planning and management, when done right, can help an agency become what it needs to be rather

than simply recreating an existing organization that may no longer be appropriate for emerging needs. In other words, succession planning is not so much focused on filling a specific position or refilling a specific position, but is, rather, more concerned with what are the competencies that we need to be successful and what is the best way that we are going to get those competencies in the future.

As you noted in your opening statement, the demographic facts are that the Federal Government faces a retirement wave in the coming years, at some point it is coming. Fortunately, and partially in response to these demographic realities, succession planning and management is starting to receive increased attention by Congress, as evidenced obviously by the hearing that you are holding today, by OPM under the leadership of Director James and Deputy Director Blair, by OMB, and by the agencies.

As you also mentioned in your opening statement, today you are releasing a report that we prepared at your request and Senator Voinovich's request that shows some of the specific practices that leading public sector organizations in Australia, including New South Wales, Canada, New Zealand, and the United Kingdom are implementing.

We learned first, and not surprisingly, that succession planning and management in leading organizations has the support of top management; and this is evident in at least three ways. First, top leadership actively participates in succession planning initiatives; it is not something that they allow to happen or that they staff out to others, rather, it is something that they actively engage in. Second, they use the results of the succession planning efforts in order to actually staff new positions as a basis of decisionmaking. And, third, they make sure that succession planning efforts have the resources they need in order to be successful.

We are in obviously an exceedingly difficult budget time, but a lot of these things aren't budget neutral in the short term; that is, there are difficult tradeoffs that need to be made, and if we are serious about developing our people, we have to be willing to devote the resources and the commitment and the time to do that.

Second, successful efforts link to strategic planning. We found that leading organizations use their 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.

Third, leading efforts identify talent from multiple organizational levels, early in employees' careers, and those with critical skills; that is, succession planning is not just who is next in line, but let us make sure that we have career development and career training in place so that we are preparing an entire generation for the leadership roles in the future.

Fourth, successful efforts emphasize development assignments; that is, that these efforts have developmental or stretch assignments for high potential employees in addition to the very important formal training components of the succession planning programs.

Fifth, succession planning is understood as being instrumental to addressing other human capital challenges such as diversity, leadership capacity, and retention. Consistent with the importance of

this practice, I understand the subcommittee will be holding a hearing in the near future on SES diversity issues and the candidate development program.

Sixth, and finally, we learned from leading organizations that succession planning and management is used to facilitate broader transformation efforts; that is, effective succession planning and management initiatives provide a powerful tool for fostering agency transformation by selecting and developing leaders and managers who support and champion change. I know this is a personal signature issue of yours of trying to get a handle on the overlap and duplication of programs here at the Federal level. If we are going to be serious about attacking that, we need to have people, change managers, in place that are capable of looking across organizational boundaries and making that change take place.

In summary, governmental agencies around the world are anticipating the need for leaders and other key employees with the necessary competencies to successfully meet the complex challenges of the 21st century. As a result, they are choosing succession planning and management initiatives that go beyond simply replacing individuals, to initiatives that strategically position the organization for the future. While of course there is no one right way for organizations to manage the succession of their leadership and other key employees, the experiences of the countries that we looked at, we believe, provide insights for executive agencies here in the United States that they could use to ensure that they have the succession planning practices in place to protect and even enhance organizational capacity.

That concludes my statement. I would be happy to answer any questions you may have.

[The prepared statement of Mr. Mihm follows:]

United States General Accounting Office

GAO

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

Statement of J. Christopher Mihm
Director, Strategic Issues

GAO-04-127T

October 1, 2003

GAO
Accountability·Integrity·Reliability

Highlights

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

HUMAN CAPITAL

Succession Planning and Management Is Critical Driver of Organizational Transformation

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.

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.**

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.

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 2007[3] 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

For future contacts regarding this testimony, please contact J. Christopher Mihm or Lisa Shames on (202) 512-6806 or at mihmj@gao.gov and shamesl@gao.gov. Individuals making key contributions to this testimony included Peter J. Del Toro and Rebecka L. Derr.

(450273)

Mrs. DAVIS OF VIRGINIA. Thank you, Mr. Mihm.

Mr. Blair, we are happy to recognize you for whatever 5 minutes is on your watch.

Mr. BLAIR. Thank you, Madam Chairwoman. I appreciate that very much. I have a rather lengthy written statement. I ask that it be included for the record, and I will shorten that in my oral testimony.

I am pleased to be here today, Congresswoman Blackburn. It is good to be back. And it is also good to be in this panel with my good friend Chris Mihm. I have worked with Chris for quite a long time on many of these shared issues, and I find it a great opportunity to be here on the same panel today.

Let me briefly detail some of the work that we have done at OPM to ensure that we have a good framework in place for agencies to access in order to engage in good succession planning. Back in 2001, OPM began working closely with the agencies, learning about them, learning about their specific human capital problems in order to help them develop plans and make commitments to move toward more strategic management of their most important asset, the work forces. In 2002, OPM, the Office of Management and Budget, and GAO collaborated to issue a shared document, "Human Capital Standards for Success," which provided a clear set of outcomes for agencies to use engaging their efforts. As a need for more guidance became apparent, OPM developed a human capital assessment and accountability framework. This is a model to guide agencies toward achieving these standards. Succession planning is woven throughout these six standards of success, and the framework also focuses attention on agencies engaging in this practice.

OPM is charged with scoring agencies on the President's executive branch score card, and we witnessed agencies moving from red to yellow status. What this shows is that agencies are not only developing a good work force plan and strategies, but beginning to implement them as well. Green scores will only be accorded when the plans are implemented and we start to see real results, and, honestly, we are not there yet, but we have seen progress, and that is good news.

Further, work force planning and succession planning are not a one-time event. Rather, we rate agencies on an ongoing quarterly basis and, as the expression goes, what gets measured is what gets done; and there is no more compelling way of attracting senior level attention to an issue than by scoring it.

While the score card attracts senior level leadership attention to improving HR management, there are also other ways. For instance, the recently constituted Chief Human Capital Officers Council will provide a venue for senior agency leaders to focus on human resources needs. The Council, which was authorized by the homeland security legislation, has formed a subcommittee specifically devoted to leadership development and succession planning, and this will help institutionalize these efforts as agencies and departments face changing work force needs.

We also need to build capacity in the HR field across Government. We have featured trading and guidance on the new HR flexibilities which were recently made available, and also OPM's human

capital officers, and these are our desk officers who are devoted to specific agencies and departments, are available to advise agencies on the host of human resource questions and needs which arise on a daily basis. To do this, OPM had to undergo a significant restructuring, which we completed last March. To many insiders, this proved to be the most significant realignment of the agency since its inception. We de-stovepiped 12 separate offices and services, and formed 3 new externally oriented divisions intended to provide our customers, the agencies, with the most contemporary and up to date HR advice counsel and the services available.

OPM's mission has changed. Indeed, our responsibilities in evaluating and assessing agencies' progress on the human capital front, ensuring employee safety and security, and ensuring compliance with merit system principles throughout Government have grown, and our new organizational structure will allow us to better deliver on these missions and goals.

We also engaged on our own extensive succession planning. We developed a new human capital plan, identified mission critical occupations and key competencies, and recently hired 18 new senior executives under a streamlined approach. Our hiring of these executives, 14 of them in 49 days, shows that quality hiring can be accomplished quickly when top agency leadership, in this case Director James, place a high emphasis and high priority on it.

These efforts are grounded on making sure that we have the future talent available to carry out our mission. We have all heard of the impending retirement wave. While actual retirements are less than those originally predicted, we still must be prepared to address the turnover which will eventually come. That is why today's hearing is so important, because it continues to focus on what OPM and the Federal Government is doing to prepare for and ensure a sound and secure future of America.

Thank you, Madam Chairwoman and members of the committee. I am happy to answer your questions.

[The prepared statement of Mr. Blair follows:]

Statement of

The Honorable Dan G. Blair
Deputy Director
Office of Personnel Management

Before the

Subcommittee on Civil Service and Agency Organization
Committee on Government Reform
United States House of Representatives
October 1, 2003

Good afternoon Madam Chairman, Ranking Member Davis and members of the Subcommittee. I appreciate the opportunity to appear before you today to discuss our efforts at the Office of Personnel Management (OPM) to help prepare the Federal Government in succession planning.

OPM's Role and Activities in Leading Agencies on the Strategic Management of Human Capital

OPM, under the leadership of Director Kay Coles James, is leading the Government-wide effort to transform human capital management so that agencies are held accountable for managing their workforce effectively, efficiently, and in accordance with merit principles. We advance the strategic activities of agencies as they implement world-class human capital programs and human resources practices to achieve a results-focused Federal workforce. We are leading agencies to build a diverse workplace plan and manage their workforce to demonstrate results, while ensuring that they comply with veterans' preference and merit system principles. By improving workforce management, we will ensure accountability and improve the way the Government works for its citizens—providing national and homeland security, protecting our natural resources, caring for veterans, etc.

Background

Since 2001, OPM has been working closely with specific agencies learning about each agency and its human capital challenges and helping them develop plans and make commitments to move toward more strategic management of their human capital. We see our role as both evaluative and consultative. Director James and the OPM team have moved beyond making plans and begun implementing specific initiatives. The OPM team has continued to develop relationships with senior agency leaders, engage them in efforts aimed at producing strategic alignment of human capital with agency missions, and guide them toward commitments that will produce results.

During 2002, OPM, the Office of Management and Budget (OMB), and the Government Accounting Office (GAO) collaborated to revise the Human Capital Standards for

Success to provide a clearer set of outcomes for agencies to use in gauging their efforts. As the need for more guidance became evident, OPM also developed a Human Capital Assessment and Accountability Framework to guide agencies toward achieving these standards. We are sharing our guidance with the Inspector General (IG) community, the Merit Systems Protection Board (MSPB) and interested stakeholders. Agencies are using our guidance and sharing information to assess themselves and come closer to the ultimate outcomes of good human capital management.

New OPM Structure

In order to ensure an agency-centric approach to human capital transformation, OPM moved into an improved agency structure earlier this year. Under the leadership of Director James, OPM restructured in March 2003 by eliminating 12 "stove-piped" departments and merging them into three central divisions that are directly aligned with our strategic goals, coupled with an internal management strategy that fully services and supports Federal agencies. This new structure will enable OPM to lead the strategic transformation of agencies toward human capital programs and human resources practices designed to achieve a citizen-centered, results-focused and market-driven Government.

As the "owner" of a key initiative in the President's Management Agenda, Director James is committed to providing agencies with all the necessary tools and resources to reach the outcomes described in the Human Capital Standards for Success. The Human Capital Officers serve as the agencies' key contact and are continually and closely engaged with their agencies to help them design new recruitment strategies, prepare workforce and succession plans, identify needed job-related competencies, design and implement new performance management plans, and ensure that agencies are building shared accountability systems and following merit system principles.

Where We Are Headed

As many observed in recent years, the Federal Government's effective management of its most strategic resources – its people – faces daunting challenges. A decade of downsizing left many agencies short of employees with critical skills. As the baby boom generation ages, we see increasing numbers of employees eligible for retirement. The lack of effective workforce planning over the last decade indeed threatens Government's ability to carry out its important critical mission. Given this scenario, I am pleased to report progress is being made.

Agencies have seen the need to be forward-thinking and strategic about human capital management as we help them objectively assess their challenges and focus their efforts. Nearly every large agency now has a comprehensive human capital plan in place, linked to their strategic goals, against which they are executing, and tracking, their efforts. We have helped agencies move beyond the planning stages to implementing improvements in all key areas of human capital management—talent, leadership and performance culture.

As the President's advisor on strategic human capital issues, Director James is committed, to developing tools and providing support to help agencies succeed in their human capital transformation efforts. The human capital initiative permeates all of our activities and plans as an agency. We will continue to devote our resources toward helping agencies build the capacity they need to make progress. We will continue to work with agencies individually to identify both immediate and long-term human capital goals that fit their situation and will allow them to improve at a pace appropriate to the objective of transforming the agencies into high-performing organizations.

Retirement Trends and Workforce planning

Today, as the President's strategic advisor on human capital issues, OPM is alert to trends and changes occurring within the Federal workforce. I am pleased to tell you that the rate of retirement of our Federal employees was not as great as was once anticipated. Although a very high percentage of our workforce remains eligible for retirement, the actual number of employees exercising that option remains quite stable.

Retirement projections by our Workforce Information and Planning staff at OPM are updated annually using the most current three years of data, and cover full-time permanent employees within the executive branch with certain exclusions (the FBI for one). This model looks at the probabilities of persons retiring based on the history of the Federal workforce.

Because of the increased sophistication of our retirement projection model, our current FY 2003 forecasts are lower and more in tune with actual historical retirements than those made in FY 2002, as shown by the chart below.

	FY 1998	*FY 1999*	*FY 2000*	*FY 2001*	*FY 2002*
Actual Retirements	47,135	46,360	42,376	40,331	40,460

	FY 2003	*FY 2004*	*FY 2005*
2002 Projected Retirements	51,011	54,218	56,650
2003 Projected Retirements	38,963	41,688	44,025

Actual and projected retirements are down from the FY 2002 forecasts which showed 11,368 greater retirements.

As the Workforce Information and Planning Group moves more intensely into the area of workforce planning the projections and their monitoring will be strengthened. This should be enhanced by the advent of the Employee Human Resource Information System and its modeling components, which will allow monitoring and updating of these forecasts on a much more frequent basis.

Although the projected retirements may not be quite as high as once anticipated, the losses projected are still serious, and we cannot relax our efforts to recruit and retain a high-quality workforce. We are ever mindful of the impact the loss of expertise and institutional knowledge can have upon individual agencies and work very closely with them to ensure that they have effective strategies in place for dealing with this problem.

For example, the Department of Labor (DOL) places strong emphasis on identifying, recruiting, and retaining high performing, committed leaders. In FY2002, DOL modified its executive incentive system and revived its executive development and succession program. DOL also used available workforce restructuring tools, such as early retirements, to correct skills imbalances and open leadership opportunities.

OPM created the Human Capital Assessment and Accountability Framework (HCAAF), as I mentioned earlier, to better review agency efforts and advise them on their strategic human capital efforts. The framework has six standards – strategic alignment, workforce planning and deployment, leadership and knowledge management, results-oriented performance culture, talent and accountability – that provide guidance to the agencies on building excellence in human capital. Succession planning at all levels of the organization is woven throughout the six standards. There is emphasis on leadership support, linking human capital to strategic planning, creating a recruiting strategy for all levels of the organization and building a diverse workforce.

Agencies are collecting a wide variety of data to support their succession planning efforts, including turnover data, workforce forecasting projections and information pertaining to needed workforce competencies and competency gaps. Although there is no regulatory requirement that agencies maintain an inventory of employee skills, we hold them accountable for their efforts in this area by evaluating them against the HCAAF. The standards require agencies to implement a workforce planning system to identify and address gaps in mission critical occupations and competencies as well as in the leadership ranks.

We require them to develop short- and long-term strategies and targeted investments in people to create a quality workplace that continues to attract and retain talent. The OPM Human Capital Assessment and Accountability Framework provides guidance to agencies on their human capital efforts, including workforce planning to meet strategic goals and objectives. Surveys like the Clinger-Cohen Assessment (CCA) Tool address section 209 of the E-Government Act to analyze the human resource needs of the Federal Government relating to information technology and information resource management. The CCA tool will be used to satisfy the OMB requirement for an IT workforce assessment. The intent of the tool is to allow agencies to gather information from this source and to avoid creating individual agencies surveys. OPM sponsors knowledge exchange workshops and professional development workshops for key agency officials on workforce planning. In addition, OPM maintains a wealth of information on workforce planning on its website.

Human Capital Flexibilities

Director James guided OPM's efforts to enact the many flexibilities now available for agencies to use to meet their succession planning challenges, and OPM's new organizational structure provides the ideal vehicle for educating and assisting agencies in the use of available human capital flexibilities. Among an extensive array of recruiting, hiring, development, and retention flexibilities provided to Federal agencies are:

- Recruitment and relocation bonuses
- Payment of relocation expenses
- Retention allowances
- Voluntary Early Retirement Authority (VERA)
- Voluntary Separation Incentive Payment (VSIP)
- Category rating of job candidates (as an alternative to the "Rule of Three")
- Direct hire for critical shortage occupations
- Temporary and term appointments
- Payment of tuition for academic work leading to a degree
- Repayment of student loans

Taken as a whole, these flexibilities provide an unprecedented toolkit of incentives for recruiting and retaining high quality professionals in the Federal Government.

Many of these flexibilities are of very recent origin, including those provided in the Homeland Security Act of 2002, so our emphasis is on making aggressive use of what we have been granted while continuing to seek new flexibilities as warranted from Congress. The key to this effort is communication – making agency managers aware of these flexibilities and guiding them as to how to use them effectively and appropriately - and we are using a variety of methods to accomplish this goal. These include agency briefings, conferences, press releases, meetings with interested constituency groups, issuing detailed questions and answers, train-the-trainer sessions (where we train OPM staff who can then spread the word to agencies), and creating web-based flexibility-specific materials.

For example, last June and July, we invited agency managers and human resources professionals to attend a series of briefings specific to several new flexibilities provided for in the Homeland Security Act of 2002. In addition to our agency briefings, we issued press releases alerting agencies to these important changes and are updating our web-based information to include guidance about these flexibilities. The new interagency Chief Human Capital Officer Council, created by the Homeland Security Act of 2002, will be an additional vehicle to publicize and distribute flexibility documents, as well as act as a forum for comments and suggestions.

With expanded flexibility there must also be accountability. Accountability is one the six major areas under the Human Capital initiative of the President's Management Agenda,

so OPM is working closely with all major agencies to help them develop and implement accountability systems to make sure the flexibilities are used appropriately. OPM also conducts external reviews of agency Human Resource Management processes to ensure their integrity.

Training and Development

Enhanced Federal training and development is another important element of the Government-wide succession planning effort. Some examples are:

- Expanded Academic Degree Authority was authorized in the Homeland Security Act of 2002. OPM published interim regulations to implement this authority in June 2003. This authority supports agency planning efforts by allowing them to use academic degrees to addresses specific agency staffing problems, training needs or strategic goals.

- Payment for Professional Credentials was authorized through the National Defense Authorization Act of 2002. This provides agencies an additional avenue to develop specialized skills and knowledge within their workforce. OPM is creating guidance to assist agencies in implementing this authority

- OPM is developing implementation regulations for the new Information Technology Exchange Program (ITEP) authorized through the E-Government Act of 2002. The ITEP is intended to enhance and maintain a highly skilled and up to date IT Federal workforce by enabling Federal agencies to bring in IT professionals from the outside on a temporary basis.

- To ensure that these tools are being put to the best possible use, agencies are looking at ways to develop appropriate Return on Investment (ROI) methodology/measures to support strategic planning and validity of training and development programs. OPM is creating policies to promote agencies' development and use of performance standards for IT training as required by the E-Government Act 2002.

- SSA has implemented a three tiered leadership development program. The three programs are the Senior Executive Service Candidate Development Program (GS-15 employees), the Advanced Leadership Program (GS-13 & 14 employees) and the Leadership Development Program (GS-09 to GS-12 employees). The programs are competency based in the areas of leading people, interpersonal and communication skills, business acumen and achieving results. The programs include a rigorous selection process in order to assure the individuals with the highest leadership potential are engaged to achieve desired results. The programs foster professional development and training through mentoring, rotational assignments and core training sessions. To date, there have been 350 employees selected for these three national programs - each program has been offered twice and the number of selections has increased with each offering.

Leadership

OPM is working with all major agencies through the President's Management Agenda to ensure that agencies are conducting the appropriate level of workforce planning including executive succession planning. The Federal Government continues to face large numbers of retirement-eligible executives with too few successors in the pipeline. The problem is exacerbated by the fact that many new employees no longer plan on a 20-30 year Federal career, which means fewer will remain in the Government to gradually develop needed executive competencies without an active program to cultivate such leadership. As a result, agencies are becoming more active than before in confronting and addressing these issues, and best practices in this area are starting to emerge in agencies such as Health and Human Services.

At the Government-wide level, OPM will soon launch an executive Candidate Development Program (CDP). In 12-14 months, the CDP will deliver leaders who have completed specified developmental assignments and are eligible for appointment to the Senior Executive Service (SES), subject to Qualifications Review Board (QRB) review. As agencies identify their leadership succession needs, the CDP will be a key tool in meeting their short-to mid-term needs.

For example, the Department of Energy reported that they accepted applicants into the selection process for the first class of the SES Candidate Development Program. In the second quarter FY03, they reported completion of the assessment center interview phase of the Program. Energy anticipates that SES CDP candidate selections will be made in the fourth quarter of FY03. About 30 candidates will be selected into this two year program. Orientation and development of Executive Development Plans will be done in the fourth quarter of FY03.

OPM is also encouraging agencies – in part by serving as an example of this practice – to broaden their search for executives to include worthy candidates outside the Federal Government. Under the leadership of Director James, OPM opened its recent SES vacancy announcement to "all sources" and was successful in recruiting and hiring a number of highly qualified candidates from outside the Government. Through its executive leadership, OPM demonstrated what can be accomplished when resources are focused on achieving a goal. OPM proved that the Federal hiring process can be streamlined and can attract the 'best and brightest' to Federal service.

The Future

To address longer-term needs, OPM is also creating both an Executive Readiness Program for mid-career employees to help create a cadre from which to draw future executives. We are also in the process of modernizing the Presidential Management Intern (PMI) program, to enhance our effectiveness in bringing high potential job candidates into Government at the entry level. We will have more details later this Fall.

Through these initiatives, OPM will continue to make executive succession planning a top priority across Government.

OPM recognizes that for the 21st Century, the Federal human resource system must become more varied and flexible. OPM will continue reviewing the existing OPM regulations and guidance with a renewed focus on identifying those that can be changed, as well as exploring ways for regulations to be interpreted more broadly. Although previously focusing on clarity and readability, OPM will begin determining the relevance and applicability of its regulations and how those interpretations can be used to provide greater assistance and flexibility to agencies' human capital management programs.

Additionally, OPM continues to pursue legislative options for additional flexibilities, as well as encouraging efforts to bring about Government-wide authorization and implementation of innovative practices and flexibilities that have been sufficiently tested and considered successful. OPM was gratified to see one of the flexibilities that it has successfully tested through numerous demonstration projects, categorical rating, enacted Government-wide through the recent Homeland Security Act of 2002, and will continue to champion the use of such successful personnel flexibilities. Additionally, buyout authorities such as the Voluntary Separation Incentive Program (VSIP) and the Voluntary Early Retirement Authority (VERA) are allowing agencies to restructure and reshape their workforces in order to better meet their needs and allow them to achieve their missions.

OPM also continues to support a proposal, not yet enacted, to eliminate the disincentive under Civil Service Retirement System for employees who want to work part-time at the end of their careers. Currently, the law requires the use of the earned average salary in calculating benefits based on service prior to April 7, 1986. This results in an employee's average salary being frozen or lowered if the employee is part-time at the end of a career because the last 3 years are generally the highest earning years. Adoption of this proposal would provide another important new flexibility for agencies to use in succession planning.

Today we are here to examine the status of succession planning in the Federal Government. I want to assure the members of this subcommittee that OPM takes very seriously its leadership role in attracting, hiring and retaining talent for Federal service. In a little while you will hear from my colleagues at NASA, the EPA, the Department of Transportation and Veterans Affaires. You will hear of the exciting programs they are working on. You will hear how excellent leadership at the top of the agency drives success. Further, you will hear how strategic human capital plans are cascading down through the agencies. Once again, on behalf of Director James, I want to thank you for the opportunity to testify before this subcommittee and I will look forward to any questions you may have on this very important issue.

Mrs. DAVIS OF VIRGINIA. Thank you, Mr. Blair. It is always a pleasure to have you here to testify before this committee, and you too, Mr. Mihm.

I would like to now yield to our ranking member, Mr. Danny Davis. Thank you, Danny, for being here. If you would like to give an opening statement.

Mr. DAVIS OF ILLINOIS. Well, I think I will. Thank you very much. This is indeed a very busy day, Madam Chairwoman, and I want to thank you for your indulgence, and also let me thank you for holding this hearing.

And as we begin, I want to indicate appreciation to Director James and her staff for the close working relationships that have developed and the kind of relationships that we have had with them during this period of time.

We have heard of all the predictions that there is going to be a wave of retirements in the Federal Civil Service, and more specifically within the Senior Executive Service. GAO has released two reports that document the importance of succession planning and the need to incorporate diversity as a management initiative in the Senior Executive Service.

The first report, which was released in 2000 and was entitled "Senior Executive Service Retirement Trends Underscore the Importance of Succession Planning" found that of the 6,000 SESes employed in September 1998, 71 percent will be eligible to retire by 2005. The report also found that SES succession planning is not being done in the Federal Government, and that OPM could do more to help agencies with their succession plans and to monitor their progress.

The second report, which was requested by myself and other members of the Government Reform Committee, found that if current promotion and hiring trends continue, the proportions of minority men and women among senior executives will likely remain unchanged over the next 4 years. The report, titled "Senior Executive Service: Enhanced Agency Efforts Needed to Improve Diversity at the Senior Corps," which was released earlier this year, will be the focus of a hearing the chairwoman has agreed to hold during the coming weeks.

It is my understanding that at today's hearing GAO will release a report that will examine the succession planning efforts of other countries. The report, which was requested by Chairwoman Davis and Senator Voinovich, will help Federal agencies develop their own succession planning and management initiatives.

This hearing will help the subcommittee to understand better the current status of retirements in the Federal Government, how the agencies are planning for the loss in leadership continuity and expertise, and what roles agency chief human capital officers and the Office of Personnel Management can play in assisting agencies in succession planning, and what impact retirements will have on the diversity of the Senior Executive Service.

Of course, I look forward to the testimony and exchange of all the witnesses, and again want to thank you, Chairwoman Davis, for holding this hearing and for the work that you continue to do as we explore human capital needs.

[The prepared statement of Hon. Danny K. Davis follows:]

STATEMENT OF CONGRESSMAN DANNY K. DAVIS AT THE COMMITTEE ON GOVERNMENT REFORM HEARING ON PERSONNEL SUCCESSION PLANNING

Wednesday, October 1, 2003

Chairwoman Davis, the General Accounting Office (GAO), the Office of Personnel Management (OPM), public interest groups, and the media have predicted a wave of retirements in the federal civil service, and more specifically, within the Senior Executive Service.

GAO has released two reports that document the importance of succession planning and the need to incorporate diversity as a management initiative in the Senior Executive Service.

The first report, which was released in 2000, and was entitled "Senior Executive Service: Retirement Trends Underscore the Importance of Succession Planning," found that of the 6,000 SESers employed in September 1998, 71 percent will be eligible to retire by 2005. The report also found that SES succession planning is not being done in the federal government, and that OPM could do more to help agencies with their succession plans and to monitor their progress.

The second report, which was requested by myself and other members of the Government Reform Committee, found that if current promotion and hiring trends continue, the proportions of minority men and women among senior executives will likely remain unchanged over the next four years. The report, "Senior Executive Service: Enhanced Agency Efforts Needed To Improve Diversity at the Senior Corps," which was released earlier this year, will be the focus of a hearing the Chairwoman has agreed to hold during the coming weeks.

It is my understanding that at today's hearing, GAO will release a report that will examine the succession planning efforts of other countries. The report, which was requested by Chairwoman Davis and Senator Voinovich, will help federal agencies develop their own succession planning and management initiatives.

This hearing will help the Subcommittee to understand better the current status of retirements in the federal government; how agencies are planning for the loss in leadership continuity and expertise; what roles agency chief human capital officers and the Office of Personnel Management can play in assisting agencies in succession planning; and what impact retirements will have on the diversity of the Senior Executive Service.

I look forward to the testimony of the witnesses and thank them for being here today.

Mrs. DAVIS OF VIRGINIA. Thank you, Mr. Davis.

I would like to turn now to Mrs. Blackburn and ask do you have an opening statement?

Mrs. BLACKBURN. No.

Mrs. DAVIS OF VIRGINIA. Thank you, ma'am.

Mr. Davis, if you would like to begin with the questioning, I will yield to you.

Mr. DAVIS OF ILLINOIS. Well, thank you very much. And let me again thank the witnesses for appearing.

Mr. Blair, why don't I start with you? You heard my opening statement, and you heard the request that had been made and the expression of concern relative to diversity within the SES ranks. Could you share with us what the Office of Personnel Management is currently doing and attempting to do that will help reverse those trends?

Mr. BLAIR. I think, first and foremost, we have been working closely with you, as you know, Congressman, in developing a Candidate Development Program for the SES, which has an eye toward increasing the diversity in its ranks. I understand that is going to be the subject of a hearing in the next couple weeks, and I don't want to take any thunder away from that hearing, but I think this CDP is very important for meeting the goals that we share. I think that there isn't an agency head in this Government that is more committed to achieving diversity than Director James, and I think that conversations that you have had with her exemplify her commitment toward working to that goal.

While we don't have the CDP in place quite yet, let me just give you a brief skeletal outline of what that will do. What we are looking at doing is allowing people to apply to the CDP, work at agencies, and once they graduate from the CDP program of instruction over 12 to 14 months, they will be eligible to non-competitive appointment in the Senior Executive Service, subject to the QRB, Qualifications Review Board, review. I think this will be a good way of bringing people into the pipeline; it will be a good way of staffing quickly. As we know, SES hiring takes far too long as it stands right now, and if we are in a war for talent, that talent is quickly snatched up by competitors.

One example of our efforts at diversity I think would be the recent 14 new hires or 18 new hires that we have at OPM in our SES ranks. We cast a very, very broad net when we advertised for that. We did 14 of them with one vacancy announcement. We did it to all sources; we brought people from inside the Government, outside the Government, from inside OPM, outside OPM; and we brought forth a very diverse rank of senior executives. I think that is an example of what can be done when you have senior agency leadership attention to a problem. And it is also a way of bringing about a solution.

Mr. DAVIS OF ILLINOIS. Thank you very much.

Mr. Mihm, in GAO's 2000 report on retirement trends in the SES, GAO recommended that OPM improve its efforts to identify and monitor agency succession planning efforts. Has OPM taken sufficient steps since 2000 to assist agencies with their overall succession planning efforts?

Mr. MIHM. Mr. Davis, we are following up on that now both because it was a recommendation in that report and also as part of a separate request from the chairwoman to look at the succession planning program that is in place across the Federal Government. I had the opportunity to be at the kickoff meeting for the Candidate Development Program, I know that you spoke there, as well as Director James, and so we are all looking forward to as the details of that roll out and as the program gets stood up.

One thing I would underscore, and Mr. Blair mentioned this, is that diversity just doesn't happen, it has to be planned for and you have to work hard at it. That was the central message of the report that we did in 2000, as you mentioned in your statement, that if we don't do anything, that is, if we keep with the program that we have in place, we will, at best, keep with the current levels, which are not viewed by many as being acceptable. So if we are serious about having a more diverse Federal work force, we need to augment that with stronger and better programs. The work we did overseas showed examples of agencies in other countries, in the U.K. and Canada and elsewhere, that do instill as a central part of their succession planning efforts a desire to have a more diverse work force. That is part of the lens that we are going to be taking as we begin to look at succession planning programs across Government.

Mr. DAVIS OF ILLINOIS. As we look at across the board, and we can leave the diversification out at the moment, let me just ask do either one of you or both of you see the level of succession planning meeting the need that has been predicted? I know we predicted that lots of people were reaching the age where their beards turn gray or their hair gets a little thinner and, you know, they move on to other things. Overall, are we doing enough to prepare when those individuals leave, that we are going to have the personnel with the expertise and experience that is needed to operate the highest levels of our Government?

Mr. BLAIR. Let me start on that. I don't know if you can ever do enough to prepare, but, indeed, light is being shown and heat is being focused on this potential problem. Let us remember how we got to where we are today. I think that the whole issue of work force planning, in my view, is kind of an outgrowth of the GPRA, the Results Act. When we first started asking agencies to define their missions and goals and what they were supposed to be doing, the next logical question was do they have the assets and the resources to accomplish this. I think a great amount of credit goes to GAO, to David Walker and his staff for highlighting what was a very serious problem in that the Federal work force, should we stay where we were at 5 years ago, wasn't going to be prepared to deliver on the results for the American people.

But in the past few years you have seen a number of reports issued, a high emphasis on this. When I came over to OPM, we have been engaged for the last 2 years focusing highly on what we were going to do to prepare agencies for not only today or the immediate future, but for the changing needs as we face the future; and I think that while more needs to be done, a lot has been accomplished already. As I said in my opening statement, this isn't a one-time event, this is an ongoing process, because we can pre-

pare for tomorrow, but tomorrow may not bring what we thought it was going to. And so agencies, departments are going to have to constantly evaluate and re-evaluate where they see themselves going not only in the short-term and the long-term, but re-evaluate what they need to have in order to accomplish those goals.

Mr. MIHM. I would agree with Mr. Blair, that much has been done already, but needs to be done. In fact, that is often a joke about a GAO report titled progress has been made, but more needs to be done. The baseline, though, from which we are developing, we have to keep in mind, is very low, and that is, as probably Mr. Messner from the National Academy of Public Administration will be able to testify, when NAPA did a study in 1997, only 2 of 27 agencies responding said that they had a succession planning program in place. In 1999, a joint survey done by OPM and the Senior Executive Association found that 50 percent of all career members of the SES said they didn't have a formal succession program in their agency for SES, and 75 percent said they didn't have a succession planning program for other important managers in those agencies.

Often when we go into agencies and we find succession planning that isn't working well, what the problem is it is a focus on replacing individual positions; that is, if Dan leaves, who is going to replace him, or if I leave, who is going to replace me. And that is important, but more important is a focus on where does this organization need to be in the future. What do we want it to look like, what sort of competencies do we want to have in the future, and what are the strategies that we are going to put in place to get us there? And that is not just looking at who is next in line for a slot, it is looking early in people's career; what sort of training and development and exposure do we need to give them so that we are positioning an entire generation for leadership when they are ready.

Mr. DAVIS OF ILLINOIS. Well, let me thank both of you gentlemen, and thank you, Madam Chairwoman, and just close by suggestion that not only do I appreciate the comments of the witnesses, but I also appreciate the integration with which the thinking seems to be, because I am pretty convinced that as we do succession planning, if we don't plan diversification in that thinking and in that process, it means that I am going to keep coming to hearings and look in the room and see a room that looks pretty much like this one, as opposed to looking different. I am a very simple person, and I have often been told that what you see is what you get, and so many of the hearings that I attend, quite frankly, many of them there are no minority members at all; and there are others they come like an old man's teeth, that is, few and far between. And I think it is just high time that we actually practice what we preach, I am saying, and if we don't do the hard-nosed planning and really do it, it is kind of like my mother used to tell us, you know, what you do speaks so loudly until I can't hear what you are saying. And so I am appreciative of the direction that both the agencies seem to be headed, and I really appreciate your testimony.

Mr. BLAIR. Thank you, sir.

Mrs. DAVIS OF VIRGINIA. Thank you, Mr. Davis.

And, Mr. Blair, I don't think you ever can prepare enough, as I think my district will tell you since Hurricane Isabel hit and we thought we were all prepared, but surely we were not.

Mrs. Blackburn, I will yield to you for questions.

Mrs. BLACKBURN. Thank you so much. And I hope you all can hear me. I am kind of spread out with my collection of stuff I take with me, and between two microphones here.

I thank you all for your comments on this, and also thank you to you and your staffs for your work. I think that it is incredibly important that the Federal Government, as an employer, create an environment in which people feel as if they can succeed and they can improve their quality of life. As one who enjoys mentoring individuals, especially women, I have always thought it was important to communicate, when you are talking about leadership and leadership skills that are used in the marketplace, to have people come to an understanding that leadership is a transferable commodity, and a skill developed is a skill retained and improved upon. And I would like to know what you all are doing, or if in your systems you have a plan that allows individuals, especially new hires, younger hires, mid-career folks, to look at possibilities in other agencies where their skills may be better placed or better used.

Mr. Mihm, I will go to you first with that.

Mr. MIHM. One of the most intriguing proposals and, in our view, important proposals that is coming out of OPM is to augment and perhaps even revitalize the Presidential Management Intern Program, which is an entry-level program for certain exceedingly high quality individuals and then to supplement that with, I am not sure of the right acronym, but basically a mid-career program as well. What we have often found in the past, and the complaint of many people in the PMI program, would be while they love the program and the opportunity to move around agencies or even within a single agency, the problem had been that after a 2-year period, when the internship ends, then it just ends, and the next time they may be picked up or cared about in a very direct way would be if they qualify 10, 15 years later for a Candidate Development Program for the Executive Service.

The proposal, as we understand it, that OPM is making is consistent with one of the better features that we saw in our discussions with our counterparts in the United Kingdom. They have a program called Fast Stream, which identifies high quality individuals when they come in, recruits them into the service, and then sticks with them, in a sense, giving them a set of developmental, training opportunities, exactly, ma'am, what you are talking about, moving them systematically around agencies so that they get exposure to different situations and the government gets exposure to them, and so that it is a win-win situation. So that is one of the things we have liked best about the OPM proposal.

Mrs. BLACKBURN. Right.

Mr. Blair, before I come to you, let me ask you all this. With the Employee Human Resource Info System and the Human Capital Assessment and Accountability Workshop, how many different agencies have that in place at this point?

Mr. BLAIR. I am not sure I understand your question. The EHRI is one of the E-Government initiatives that we are working on right

now, and what that is going to be is an electronic repository of employee information that will cover their entire career life span.

Mrs. BLACKBURN. So it is not in place.

Mr. BLAIR. It is not in place. It is in various phases of implementation.

Mrs. BLACKBURN. OK. And the total cost of that will be what?

Mr. BLAIR. I would have to get back with you. I know that the Director testified last week that there will be significant savings produced by all five of the E-Government initiatives, but I don't have that at the tip of my tongue right now.

Mrs. BLACKBURN. I would love to know that, I certainly would.

The Human Capital Assessment and Accountability Framework [HCAAF], how many agencies is that in place in?

Mr. BLAIR. Well, that will cover all 24 of the major agencies.

Mrs. BLACKBURN. OK.

Mr. BLAIR. What that framework is, it takes the six standards for success, which if an agency is doing well and it is managing its work force, it will meet those six standards, and what that framework does, it says how do you get there; it is what cascades it down and has critical factors and elements for success and a checklist of whether or not you are performing well.

Mrs. BLACKBURN. But are they currently using that system, or is that in the process of being implemented?

Mr. BLAIR. We are currently using that system in helping agencies assess themselves and in assessing the agencies.

Mrs. BLACKBURN. In 24 agencies?

Mr. BLAIR. Yes.

Mrs. BLACKBURN. OK. Great.

Now, as you look at these initiatives, human capital initiatives, how do you see general Government reform initiatives tying into those with your human capital planning, your reshaping and reorganizing Government, redefining jobs, redefining expectations from specific jobs?

Mr. Mihm, you are shaking your head. Are you all working toward a systematic reorganization of different departments, expected outcomes, and is there a timeframe for this?

Mr. MIHM. Well, as you know, the Comptroller General has often been talking about, for a variety of reasons, there is a need for Government to fundamentally transform what it does and how it does business, and in some cases even who does the Government's business. We think a central part of those change management initiatives must be, obviously, attention to the people element of that. When we looked at senior executive, the top cadre of career executive perform plans 2 years ago, we found that, in our view, they didn't give sufficient attention to exactly the types of issues that you are suggesting: change management, looking at the ability to look across organizational boundaries and form alliances or partnerships with people in different organizations. They were real good on a lot of basic business acumen, but they weren't as good, and this is the contracts, in what we need to do to really change Government. That is something that we are working with Mr. Blair's staff on, to think about how we can better embed those within the SES contracts, and I know that they have a very serious initiative on that underway.

Mr. BLAIR. Let me just add to that, that it is very important that not only a senior executive knows what his or her contribution is expected to be to the organization's success, but you also need to drive that down into the line employees as well. Individual employees need to know how their work is valued and what that value is to the organization, because without that you don't have the continuity or the kinds of expectations that you expect in helping employees reach overall mission goals and results. And so it is very, very important that not only the senior executives, but line employees down to the lowest general schedule levels understand what their job is and how that jobs relates to the mission of the agency.

Mr. MIHM. In our case, we call that creating a line of sight between individual performance and individual activities and organizational goals, and I completely agree that it is absolutely critical.

Mrs. BLACKBURN. As you all move forward on this, are you searching for appropriate ways to incentivize or reward the different divisions and agencies and individuals that meet their goals and expected outcomes and provide superior performance?

Mr. BLAIR. Absolutely.

Mrs. BLACKBURN. Did I just ask the question you had really wanted to answer?

Mr. BLAIR. Well, no. Actually, I think that the chairman and I had quite a discussion about this back in the spring. The President did propose a pay-for-performance proposal in the budget that we have been working to enact. Let me just say that our compensation as it now stands does very little to reward or differentiate in performance, and that we need to change that; that we give large across-the-board pay raises to good performers, poor performers, bad performers, no performers, great performers, every kind of performer, and that is not the way to run a railroad or a Government.

Mrs. BLACKBURN. Or a business.

Mr. BLAIR. Exactly.

Mrs. BLACKBURN. Thank you.

Mr. MIHM. I would completely agree. We do need to create incentives, and pay needs to be part of that for increased performance. In our own case in GAO, that is clearly the way that we have been moving under the leadership of the Comptroller General. The key part of that we are finding is to make sure that you have a performance management system in place that is credible, reliable, modern, and includes a set of safeguards; and once that is there, then you can easily move to a pay-for-performance scheme.

Mrs. BLACKBURN. Madam Chairwoman, thank you.

Ms. DAVIS OF VIRGINIA. Thank you, Mrs. Blackburn.

You know, obviously there is a large number of senior level Federal employees who are eligible for retirement in the near future, and we keep hearing how it is a human capital crisis, but is it really a human capital crisis? Since people have been coming and going from Government service for as long as we have had a Government, why is that a greater issue or problem today than it was in the past?

Mr. BLAIR. Well, I think today you see greater numbers of people eligible, and I think the key word there is eligible, for retiring than we have seen in the past. And while we have made some projections, it has turned out that we haven't seen quite the retirement

wave that we thought it was going to be, it has been more of a high tide, so to speak. But we expect that tide to continue to come in, and we need to be prepared for that. And so I think some people have described this as a human capital crisis. Well, I am one to say that I don't know if I describe it as a crisis, but it certainly has focused attention, and this is the kind of needed attention that this area has needed for a long time. And so call it what you might, but we need the kind of attention, we need to continue to come up with solutions to many of the impending problems that we are going to see not only in the next 5 years, but 10, 15 years down the line.

Mr. MIHM. I would agree with Dan in terms of the numbers of eligibility, and then just add to that what makes this time unique and particularly an opportunity is that the need for change is so great, and that is that the risk and the danger of a succession planning approach that simply recreates the existing organization, it was never the right thing to do and now it is completely intolerable. The fiscal situation just doesn't allow us that luxury.

Mrs. DAVIS OF VIRGINIA. This may be more to you, Mr. Mihm, but, Dan, if you have an answer, you can certainly give it. What do you think are the factors that led to the graying of the Government work force and how did we get here? How did we get to this bubble where we have the problem today and we didn't have it in the past?

Mr. MIHM. Well, I think that as Dan was pointing out, it is not so much that it is more gray now, taking Mr. Davis' note, that it is more gray now than perhaps it had been in the past. We are, to some extent, at a historical moment in that a lot of the generation that came in when the Federal Government was more activist in nature, in the 1960's, is now entering or nearing retirement age, and so there was a bubble there that is moving its way through. For example, the agency, with my understanding, that has the highest number of retirement eligibility, HUD, had a huge influx in staff and dollars about this period 20, 25, 30 years ago, and so there is a bubble that is working its way through there. I think fundamentally, though, as I mentioned, the issue is that the opportunity for using succession planning in a way that allows us to rethink missions and roles of Government, and how we want to do business, is greater than perhaps it has been in the past, and that is the issue that we need to take advantage of.

Mr. BLAIR. I would only add that it is demographics. We see this nationwide, it is not a phenomena of the Federal Government, it is a phenomena of the private sector as well. The baby boom generation is aging, we are reaching that bubble, and so we are going to see an increasing number of retirements. Also, over the last 10 years we saw the Government downsize, and in that downsizing a number of agencies just shut down their hiring practices. So you didn't have people coming into the pipeline, and so as people progressed and grew in their Government positions and roles, and progressed through their grades, you didn't have anyone backing them up. And so that is what makes this problem particularly troublesome, is that we didn't have the pipeline in place, the backfill, so to speak, that when people do retire, that you have people there to immediately take their places. And that is why succession and workplace planning is so important, is because, as Chris said ear-

lier, you will know not only that you need to fill the position, but the question is do you even need that position anymore, because you may not need that position anymore, you may need five positions over here and none over there. And that is what these exercises are all about, to look into a crystal ball and project down the road not only who you are going to need in place, but what those places should be.

Mrs. DAVIS OF VIRGINIA. Don't we have quite a few GS–14s and 15s that are there now that have the experience and they have learned, that could just step into the places of the SESes?

Mr. BLAIR. We have them in place, but I think that you will see that demographically they are reaching retirement eligibility as well. I think the average Federal worker is age 47.

Mrs. DAVIS OF VIRGINIA. That is pretty young, Dan.

Mr. BLAIR. Yes, ma'am. Yes, ma'am. But that puts some within 8 years of retirement. And so that is why even at 14 or 15, and 14 or 15 is oftentimes where people end their careers, most don't make it into the SES. And so we just didn't see the entry level hires over the past 10 years that we may have seen otherwise had Government not closed the doors on many of its hiring efforts.

Mr. MIHM. We worked with OPM data and found something like 70 percent of the executive corps is retirement eligible over the next couple of years; about half of the GS–15s, or traditional feeder pool, is retirement eligible; a little bit under half of the GS–14s would be retirement eligible. It gets to exactly the point that Mr. Davis was mentioning, is that if we don't augment, in the case of diversity programs, those programs by just reproducing or going to the next level back, we are buying ourselves very small time.

Mrs. DAVIS OF VIRGINIA. Dan, as you know, succession planning requires top level management. Is OPM doing its best to ensure that the agency's leaders know what they are doing and that they are committed to work force planning? What is OPM doing to make sure that all agencies are going to be ready?

Mr. BLAIR. Well, I think what is leading that effort is the President's executive branch score card and how we are rating and ranking the agencies. You don't really get anyone's attention until you start measuring what they are doing, and rating a department secretary or agency head on how well they are managing their work force certainly gets their attention. And so we have seen progress being made. As of the end of the third quarter in this fiscal year, I believe 12 agencies were at yellow in terms of status on human capital. We will be releasing the fourth quarter scores within the near term. Hopefully we will see some more improvements. I don't think we will see anyone at green yet, but it is too early to tell. But we are seeing improvements. And we have also required that agencies have work force planning and succession plans in place. We have seen most agencies comply with that. I think maybe there are five or six that don't at this point, but we are working with all of them.

This has been a challenge. I think Chris mentioned earlier that as of 1997, which was 6 years ago, only one, was it you said?

Mr. MIHM. Two of 27.

Mr. BLAIR. Two of 27 agencies had any kind of work force planning in place. And so this is a relatively young and new concept

for the Government to be engaging in, but something that seems to have been grasped quite quickly, and it is due to hearings such as this that brings high level attention and shines light on a problem that really needs that attention.

Mrs. DAVIS OF VIRGINIA. And I would assume OPM is going to stay on these agencies on a regular basis so that they don't slip?

Mr. BLAIR. Absolutely.

Mrs. DAVIS OF VIRGINIA. Well, I want to thank both of you gentlemen. We have a lot more questions, but we do have two more panels.

Mr. DAVIS OF ILLINOIS. Can I ask one?

Mrs. DAVIS OF VIRGINIA. Yes, sir, you certainly may. You may ask two if you would like.

Mr. DAVIS OF ILLINOIS. Just one, actually.

Mr. Mihm intrigued me with something that you said in terms of the numbers of people who came into the Government during the 1960's as a result of its activist perception. So you are saying that if people believe that the Government is doing something, then recruitment won't be a problem?

Mr. MIHM. It certainly helps. You know, one of the great things about marketing or recruiting, one of GAO's recruiters recruiting for the Federal Government is our mission, and being able to recruit based on what we do.

Mr. DAVIS OF ILLINOIS. I thought that was interesting, because I thought of myself, and I actually started to come to work for the Federal Government during that period, and that is exactly the reason that I almost became a bureaucrat.

Mr. MIHM. The one that got away, sir.

Mrs. DAVIS OF VIRGINIA. It was in the late 1960's for me, Danny, not the early 1960's. The late 1960's, all I ever heard about was go to work for Civil Service, great benefits, great retirement, but it was really tough to get in.

I want to thank both of you gentlemen, and I am sure we will have other questions, and we may submit questions to you in writing to have you reply back for the record. And thank you again for being willing to come up.

Mr. BLAIR. Thank you.

Mr. MIHM. Thank you.

Mrs. DAVIS OF VIRGINIA. I would now like to invite our second panel of witnesses to please come forward to the witness table. On this panel we have Howard Messner, president of the National Academy of Public Administration. Next we have Robert Gandossy, global practice leader for talent and organization consulting at Hewitt Associates.

And I would like to thank you gentlemen for being patient, and the record will show that we have already administered the oath, and I will remind you that you are under oath when you testify.

The panel will now be recognized for an opening statement, and we will ask you to summarize your testimony in 5 minutes, and any more complete statement that you have may be included in the record.

I want to welcome you, Mr. Messner, and thank you for being with us today, and thank you for your patience, and you are recognized for 5 minutes.

STATEMENTS OF HOWARD M. MESSNER, PRESIDENT, NATIONAL ACADEMY OF PUBLIC ADMINISTRATION; AND ROBERT P. GANDOSSY, GLOBAL PRACTICE LEADER, TALENT AND ORGANIZATION CONSULTING, HEWITT ASSOCIATES

Mr. MESSNER. Thank you, Madam Chairwoman and members of this subcommittee. I will leave a longer statement because the National Academy of Public Administration has a longstanding interest in this subject of succession planning. We have been working in the field since 1992 and have turned out a number of reports, one of which Chris Mihm kindly referred to and has been used as a reference. Our latest report, which I am going to turn over to the committee, is really a series of reports with 21st century managers series, and in that we revisit this whole question of succession planning, and I would like to make it available to the committee, if that is all right.

The Academy is an independent non-profit organization; it has been chartered by the Congress; it is composed of some 550 people we refer to as fellows; it is very much like the National Academy of Sciences, only its focus and its mandate from the Congress is to look at management issues, and we do studies of Government agencies. The people who are fellows in the Academy have headed agencies, have worked in Federal agencies and also worked State, local, and internationally.

The reason that we are so interested in the question of succession planning is because it speaks to the resources that are available to the National Government. We spend hundreds of millions of dollars on the human resources of the Federal Government, and if we do it right, if we spend the money usefully, we end up with people who provide outstanding services to the people of America, and that is what it all about, get the programs out that the Congress empowers the President to administer.

In order to make this investment pay off, we really need to be careful to look forward and not just at the present time. I spent 26 years in the Government, both in the executive branch and in the legislative branch, and I know what most managers know: we are concerned with today. You have a lot of mandates, a lot of questions, a lot of jobs require you to pay attention to what is going on around you, and the future is that dim prospect that you might get to if you can get through today's workload.

Succession planning argues for thinking ahead, and that is a hard argument to win. It takes political leadership. The political leadership of agencies that comes in doesn't stay very long. Our studies show that most assistant secretaries stay about 21 months, and you don't do much succession planning in 21 months. What you can do is inspire the career service, particularly the middle of the career service, to think about succession planning and start processes that encourage employees to look to the future.

Where the Academy has found good succession planning, and there isn't that much of it, we think about 28 percent of the agencies actually have programs for succession planning underway. Where you do find good succession planning, you usually find other attributes of a healthy personnel system: mobility, job training, diversity, upward mobility. Those are ingredients in the planning process, and you usually find some kind of linkage between the

strategic goals of the agency and the development of the employees of that agency. Private sector, not always well, not uniformly well; General Electric, IBM come to mind that are places where succession planning is a kind of way of life. The Federal Government, the Social Security Administration I would call your attention to, which has had a longstanding history of trying to develop strategies for the future.

We agree very much with the GAO and others that there is a potential for losing a lot of our senior talent in the next decade; partly because of the demographics, partly because of economics, partly because we have created a personnel system that encourages mobility. And the Congress made the pension programs of the Government portable. You have enabled people to think in terms of coming in and out of the Government with much more flexibility. So at the top of the system you have developed and trained people who are attractive in the private sector and the university system, in the not-for-profit sector. People have options and choices, and take them.

At the bottom of the system you are bringing in young people with very different expectations than I had when I started in the early 1960's with the NASA and the space program. I came in with the thought that a minimum of 30 years was acceptable and happy thought, and I was, first, happy to have the job and, second, very happy to be part of such an exciting career path. Today you will find, among the younger employees, attitudes that say I can come in and go out of the Government at will; there are talents that are portable; I don't lose my pension rights, I can retain those, they are vested in me. And so you have created a very competitive marketplace in a shrinking market, and that shrinking market requires us to think smarter and be more strategic in our thinking of how we deal with human resources.

The National Academy has a continuing interest in this field. We work with agencies everyday to try to encourage the thought of long-term service to the public, and we would be very happy to help this committee in any way possible. I thank you for the opportunity to speak to you, and if I can answer questions after my colleague's remarks, I would be glad to do it.

[NOTE.—The Hewitt report entitled, "How Companies Grow Great Leaders, Top Companies for Leaders 2003, Research Highlights," may be found in subcommittee files.]

[The prepared statement of Mr. Messner follows:]

TESTIMONY OF HOWARD M. MESSNER
SENIOR FELLOW
NATIONAL ACADEMY OF PUBLIC ADMINISTRATION*

BEFORE THE
COMMITTEE ON GOVERNMENT REFORM
SUBCOMMITTEE ON CIVIL SERVICE
AND AGENCY ORGANIZATION
U.S. HOUSE OF REPRESENTATIVES

JO ANN DAVIS, CHAIR

OCTOBER 1, 2003

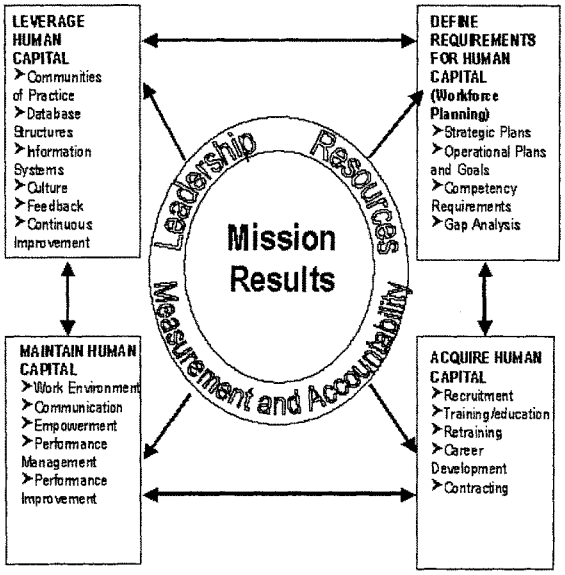
Over the next decade, a combination of internal and external events will demand that federal agencies make succession planning a focal point and fundamental tool for assuring that they have the leadership and general workforce needed to carry out the business of government and their varied mandates to provide high quality service to American citizens. These events include:

- About 15 percent of the federal workforce will retire from 2001 to 2006, and more than half of all members of the Senior Executive Service employed by the government in 2000 will have left by 2007. (GAO Report 03-914)
- The world of work is changing at an increasingly rapid pace. The competent workforce of today is not necessarily the competent workforce of tomorrow.
- Assuming an expanding economy, the competition for well-qualified staff will take place within a shrinking labor force. To compete effectively for talent, public agencies must know *what* talent is needed, *when* it is needed and *where* it is needed.
- The realities of terrorism are redefining the nation's immigration policies, which have enhanced the available citizen labor pool.
- The competence needed in our leaders and the general workforce is not inherently advanced nor fully developed within the workforce. These competencies must be identified based upon an organization's strategic goals and outcomes and then developed through a series of well planned and orchestrated assignments, developmental opportunities, formal training events and actual on-the-job experiences.

Since 1992, the National Academy of Public Administration has published a number of studies that have identified succession planning as a critical issue for the public sector. This body of research has recommended various solutions that agencies can employ to solve the succession planning needs of public organizations. This testimony provides a summary of the critical issues and solutions identified in this work.

* The views expressed in this testimony are those of the presenter, based on a body of research developed by the National Academy of Public Administration. They do not necessarily reflect the views of the Academy as an institution.

The human capital logic model constructed by the Academy, which is depicted below, is predicated on the belief that the value of human capital management programs are in direct relationship to their ability to support an organization's ability to achieve its strategic goals and outcomes. Defining requirements for human capital, acquiring human capital, improving human capital and leveraging human capital all are accomplished in direct relationship to the agency mission and the results that are to be achieved in accomplishing that mission.



Paths to Leadership: Executive Succession Planning in the Federal Government.

In 1992 the Academy published its seminal study, *Paths to Leadership: Executive Succession Planning in the Federal Government.* Most of its findings and conclusions are as relevant today as they were in 1992. The study found that agencies needed a more strategic approach to executive succession planning, which it defined as an integrated process with four basic components, all designed to assure that the organization has the *right* leaders in the *right* place at the *right* time. To accomplish this, an organization's top leadership must be able to:

- Project executive staffing requirements, both qualitatively and quantitatively, in consonance with its overall business or mission strategy.
- Identify individuals ready to move immediately into key positions, as well as those with strong potential to do so after further development.
- Prepare candidates through planned developmental assignments and training.
- Select executives from continually maintained and developed lists, pools and/or cadres.

The Academy report concluded that succession planning has evolved from replacement planning (i.e., where the organizational structure remained relatively static and the key element involved grooming an incumbent's successor) to a comprehensive planning process that has taken on new dimensions. Before managers ever consider replacement issues, they must define key business issues and project critical positions and candidates for the positions, taking into account such issues as readiness and diversity.

Nearly all of the private sector companies that participated in the study integrated succession and business planning. For greater organizational fluidity, they avoided the tendency to fill a position as it has been defined by the incumbent. Instead, vacancies increasingly were used as opportunities to modify or redistribute responsibilities, combine positions, and provide growth opportunities for high-potential individuals.

The Academy Panel overseeing the study found that effective succession planning systems operate in concert with organizational culture and play an important role in maintaining and modifying the culture. Executive selection helps signal to members of an organization what types of actions and behaviors are valued. For example, each organization involved with the study recognized the need for an executive staff that reflected the diversity of the larger population. However, there were great disparities in organizational commitment and effectiveness at increasing representation.

Before an organization can provide the requisite developmental experiences for future leaders, it must identify the characteristics and competencies that executives need to meet the challenges of the next five to 10 years. It also must develop assessment procedures and tools to gain insights into how these individuals will perform. The tools—including assessment centers, simulations, competency survey, and performance appraisals—are used to gauge how well prepared candidates are for management positions. The results augment personal judgments by objectively measuring compatibility between people and organizations, and compatibility between people and specific job requirements.

The report defined executive development as a planned approach that strengthens the skills and capabilities of an organization's future leaders. As with other elements of succession planning, developmental assignments should be made within the context of the strategic plan. Reassignments or rotational details to vacated positions should be used to provide high potential individuals with the opportunities and experiences needed to maintain the success of the organization. These job assignments are augmented by other activities, such as participating on task forces, special projects or action learning teams, formal training and education programs, and mentoring.

The succession planning process requires the support of a technical staff and an administrative process for management information. The Academy Panel found that the organization's human resources management function supplied staff that prepared background material, consulted with senior management, became familiar with high-potential candidates, prepared candidate slates, facilitated executive development activities, and monitored results. Well-designed information management systems are a critical element in successful succession management programs.

Top management leadership and support are critical for effective succession planning. Yet agency, department and, in some cases, bureau heads are political appointees whose relatively short tenure causes recurring leadership discontinuity. This makes it difficult to secure necessary top-level involvement in executive succession planning. Thus, the Academy Panel suggested that agencies' Executive Resources Boards could be key to resolving this dilemma because they are an institutional presence whose membership includes career executives and political appointees who typically interface with top leadership.

Managing Succession and Developing Leadership: Growing the Next Generation of Public Service Leaders

In 1997, an Academy Panel re-examined succession planning and leadership development in its report *Managing Succession and Developing Leadership: Growing the Next Generation of Public Service Leaders.* At that time, the Panel concluded that future leadership was a high priority in the private sector, and that most major corporations had succession programs linked to business plans and leadership development programs. However, the study found that only 28 percent of government respondents in its December 1996 study had or planned to have a succession management program. Forty-two percent had a leadership development program. Eleven percent linked succession/leaders development efforts to the agency's strategic plan. In a time of shrinking resources, only 15 percent protected such efforts as a budget priority.

The 1997 report identified barriers to growing leaders in the public sector. They were organizational culture, low priority given by senior officials, insufficient resources, inadequate rewards for initiative/risk, limited mobility, and lack of role models. It also summarized eight factors common to benchmark succession management and development programs. They included:

- Top organizational leaders are personally involved and deeply committed.
- Succession management processes are relatively simple and flexible, and are integrated with strategic plans to identify and develop leaders who meet evolving organizational needs.
- Succession programs are owned by line managers, supported by human resources staff, integrated into human resources processes, and consistent with the organization's culture.
- A pool of high-potential leaders is identified early and developed, rather than relying on a slate of replacements for current positions.
- Leader competencies are identified and regularly reviewed and updated; candidates are assessed and developed against those competencies.
- Reviews that identify high-potential candidates and developmental measures and assess progress occur regularly and involve all levels of the organization.
- Leader development uses three complementary means: varied job assignments, education/training, and self-development.
- Senior leaders identify developmental goals for individuals and managers, expect them to achieve the goals, and hold them accountable.

In its 1997 study, the Academy Panel, once again, noted that the existence of a large, short-term political cadre is a significant factor affecting the capacity to change to a leadership-centered culture. Given this reality, the Panel suggested that managing succession and developing leaders need to be seen as a primary responsibility of the career SES. This did not imply bypassing political leaders, but meant that initiating a strategic approach to succession and leadership may require a "lead from the middle" strategy.

In addition to integrating succession management into agency strategic planning as required by GPRA, the Academy Panel felt that another key to embedding leader succession was to make it part of many human resource processes. For example, performance evaluations should cover leader competencies with attendant rewards. Recruitment efforts should consider potential, not just suitability for the current job announcements. Developmental opportunities should center on filling gaps in competencies.

The report suggested actions that would affirm government-wide support for building a culture that grows future public sector leaders. Government leaders need to be viewed as "corporate" assets and be identified, selected, developed and assigned with this orientation in mind. Most benchmark organizations view potential leaders as corporate assets to be developed to reinforce the strategic direction of the organization. This is not found to be the case with the federal government's Senior Executive Service where insufficient emphasis is placed on developing and capitalizing upon this corporate asset within a government-wide framework (Peter Senge, in *Synchronicity, Joseph Jaworski, (New York, Berrett-Koehler, 1997).*

Inculcating the concept of leaders as a corporate resource and instilling true succession management would constitute a significant change within the federal culture, the 1997 study concluded. To lead such a change, an official at the top of the executive branch would be designated. The senior leader would be aided by a central mechanism to identify high-potential leaders, broker developmental assignments, and plan other developmental education and training assignments.

Recent Research and Efforts

In 2003, as part of its examination of the 21st Century Manager, the Academy revisited managing succession and developing leadership. The issues of succession planning remain. They encompass not only leaders in organizations, but mission critical occupations and other key positions. In a recent study published by the International Public Management Association for Human Resources, "Managing the Quiet Crisis: Essentials for Building Effective In-House Succession Planning Programs," Dr. William Rothwell noted that more job openings were expected to result from replacement needs (34.7 million) than from employment growth in the economy (20.3 million) from 1998 to 2008 (*"Managing the Quiet Crisis: Essential for Building Effective In-House Succession Planning Programs*, William J. Rothwell, PhD, SPHR, quoting Douglas Braddock, "Employment Outlook, 1998-2008 – Occupational Employment and Projections to 2008", Monthly Labor Review, November 1999, pp. 51-77). Rothwell explained almost twice as many job openings occurred from people retiring than from economic expansion simply because the U.S. labor force is growing older.

Dr. Rothwell urged readers to think of establishing systematic succession planning as a long-term culture change that requires a commitment to a long-term strategic view of talent needs. He offered a step-by-step model for doing so:

- **Step One.** Clarify the CEO's expectations and preferences for a succession program. The CEO is the real customer of the effort and must support it even if he or she is not willing to have a hands-on role.
- **Step Two.** Establish a competency model by hierarchical level or department. A competency model is a narrative description of the knowledge, skills, attitudes, and other abilities that lead to exemplary performance. It should provide a blueprint for what talent to build at present and in the future. A recent trend in major corporations is to articulate the organization's value system or code conduct, and rate an individual against these to assess morals.
- **Step Three.** Conduct individualized, multi-rater, full circle assessment (sometimes called 360 degree assessment). The idea is to assess an individual against the competencies required for success in an organization. The results usually are an indication of gaps between competencies an individual currently possesses and what he or she should possess to be successful.
- **Step Four.** Establish (or reengineer) an organizational performance management system that continuously assesses individuals against the competencies linked to exemplary performance in an organization's unique organizational culture. Individuals seldom are eligible for promotion, advancement, or other developmental opportunities if they are not performing successfully in their current jobs. It is essential that the performance management system measures individuals against competencies linked to success.
- **Step Five.** Establish a means to assess individuals for advancement. Unlike performance management, which tends to focus on the past or present, potential assessment focuses on the future. Some means must exist to examine the talent available for future possibilities and advancement. Potential assessment provides such a way.
- **Step Six.** Establish regular, ongoing, individual development planning. Once it is clear what present and future gaps exist for individuals, means should be developed to help them plan to narrow the gaps and prepare them for the future.
- **Step Seven.** Implement individual development plans by establishing in-house leadership and management development programs. Develop competency menus, in print or on-line, that provide specific developmental suggestions for individuals. Examples include books to read, classroom courses to attend, on-line courses in which to participate, on-the-job assignments to seek out, and action learning projects that bring together people to solve business problems and build competence in new areas.
- **Step Eight.** Establish a competency inventory. An organization must have information about its talent inventory so that teams can be marshaled on short notice to fight fires, seize opportunities, or act faster than competitors do.
- **Step Nine.** Establish individual and organizational accountability for a systematic succession planning effort. Individuals and their bosses must be held accountable for cultivating talent and closing developmental gaps. Incentives can help. Individuals and their supervisors can receive bonuses when the former achieve their developmental objectives. Executives, managers, and supervisors must be accountable for cultivating their human talent just as they are for achieving profit or operational goals.

- **Step Ten.** Evaluate the results of the systematic succession planning effort. One way is to solicit periodic executive opinions on how well talent needs are met through the program and to make modifications based upon that feedback.

Dr. Rothwell wrote that human resources practitioners play a critically important role in succession planning. Most succession plans require individuals to develop themselves to bring their competencies into alignment with those for future success. Selection and training are ways to do that. Human resources practitioners, functioning as performance consultants or human performance improvement consultants, should counsel individuals on how to improve for the future, and counsel senior executives on how to coach others.

As part of the President's Management Agenda, the Office of Personnel Management (OPM) leads the federal government's strategic management of human capital initiative. Creating a more effective government depends on attracting, developing, and retaining quality employees from diverse backgrounds and ensuring that they perform at high levels. Sound human capital investment is essential.

OPM recently collaborated with OMB and GAO to develop a comprehensive human capital framework. The Human Capital Assessment and Accountability Framework list six standards for success:

- **Strategic Alignment.** An agency's human capital strategy is aligned with mission, goals, and organizational objectives and integrated into its strategic plans, performance plans, and budgets.
- **Workforce Planning and Deployment.** An agency is citizen centered, de-layered, and mission focused and leverages e-government and competitive sourcing.
- **Leadership and Knowledge Management**. Agency leaders and managers effectively manage performance, ensure continuity of leadership, and sustain a learning environment that drives continuous improvement in performance.
- **Results Oriented Performance Culture.** An agency has a diverse, results oriented, high performing workforce, and a performance management system that effectively differentiates between high and low performance and links individual/team/unit performance to organizational goals and desired results.
- **Talent.** An agency has closed most mission-critical skills, knowledge, and competency gaps and deficiencies, and has made meaningful progress toward closing all gaps throughout the workforce.
- **Accountability.** Agency human capital decisions are guided by a data driven, results oriented planning and accountability system.

Much has changed in the public and the private worlds of work since the Academy began examining succession planning in 1992. Technology has driven much of this change, as has the demand of citizens for more responsive, cost effective delivery of government services. The demographics of the labor market also have shifted so that critical skills shortages are predicted. With the shrinking birthrate in the United States, and an expanding economy, these skills shortages are predicted to continue. The demographics of the country have shifted toward a

more diverse citizenry that is demanding a more diverse workforce to provide the products and services of government.

What has not changed in the need for succession planning. The need is greater today than ever. The very best public and private organizations have recognized the need, and made succession planning a key organization strategy for success. The General Electric Management Institute in Crotonville, New York has been in operation for nearly 50 years. It is one of the most frequently benchmarked leader development programs in the private sector. The CEO of General Electric spends a significant amount of his personal time on issues surrounding succession planning. IBM has also integrated succession planning as a key tool for assuring organizational success. The Pension Benefit Guaranty Corporation and the National Nuclear Security Administration are examples of public agencies that have made similar decisions and commitments.

Whether public or private, the succession planning programs of successful organizations have fundamental similarities. They are:

- A direct link between the organization's mission, its strategic plan and strategic outcomes, its workforce planning which identifies the current and future competency needs of the organization, and its human capital programs for recruitment, retention, performance management, and continuous learning—which in combination are used to assure that the organization has the right people with the right skills in the right place at the right time.
- An occupational map of leadership, mission critical, and other key positions that identify the type of position, career ladder and associated careers paths, competencies required, work assignments and developmental opportunities needed and available to develop the required competencies.
- The commitment and active participation of the organization's political and career leadership in the succession planning process for leaders, for mission critical occupations and other key positions.
- The commitment of needed financial and human capital resources to conduct the succession planning process, keep its content and processes current, and to provide the needed work assignments and developmental opportunities.
- A direct link between and among all human capital management programs to assure that there are talent pools available from which selections can be made when mission critical vacancies occur.
- A process for evaluating the costs and benefits of the succession planning process, and the return on investment it provides for the organization.

In today's world, and especially in tomorrow's, succession planning is essential for organizational success. The federal government must increase and enhance its succession planning efforts.

Anyone wishing to learn more details of succession planning can consult the following National Academy of Public Administration studies:

- *Leadership for Leaders: Senior Executives and Middle Managers* (2003)

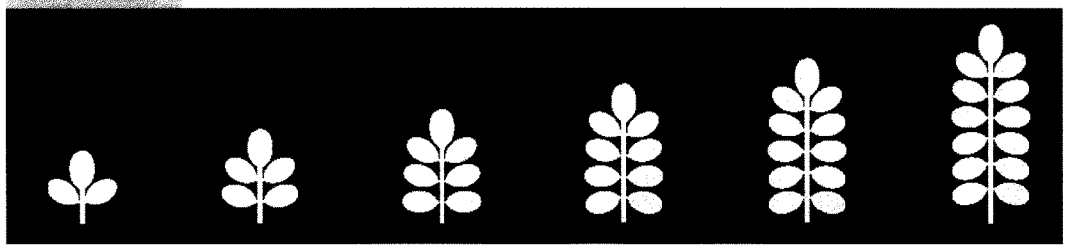
- *Strengthening Senior Leadership in the U. S. Government* (2003)
- *Summary of Human Resources Management Research by the National Academy of Public Administration for the National Commission on the Public Service* (2003)
- *Building Successful Organizations* (2000)
- *Managing Succession and Developing Leadership: Growing the Next Generation of Public Service Leaders* (1997)
- *The State of Executive Succession Planning in the Federal Government-- A Follow-Up to Paths to Leadership: Succession Planning in the Federal Government* (1994)
- *Paths to Leadership: Executive Succession Planning in the Federal Government* (1992)

Hewitt

2003 Top 20 Companies for Leaders
Succession Planning Data

Subcommittee on Civil Service & Agency Organization Hearing:
"Human Capital Succession Planning: How the Federal Government
Can Get a Workforce to Achieve Results"

October 1, 2003



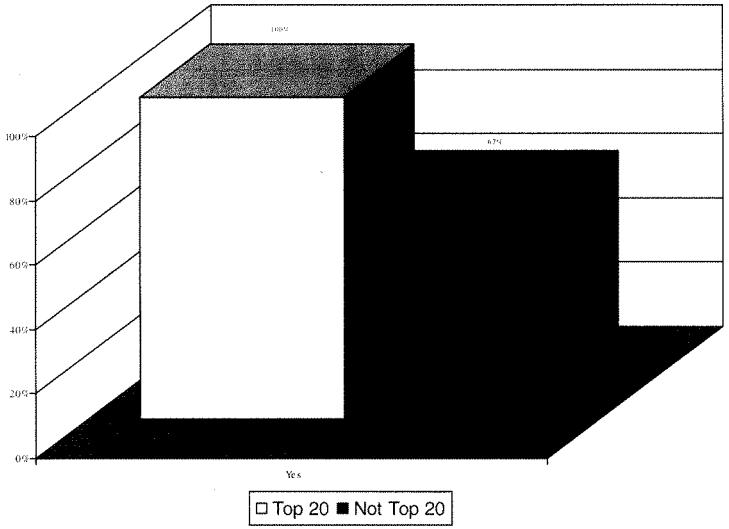
Research Summary and Overview

The Top Companies for Leaders research was initiated by Hewitt Associates' Leadership Practice in 2001. We set our sights high—to identify the combination of factors that allow financially successful organizations to consistently produce great leaders. We were inspired to conduct this research because of the dearth of fact-based, well-researched information in the marketplace focusing on how successful companies develop great leaders.

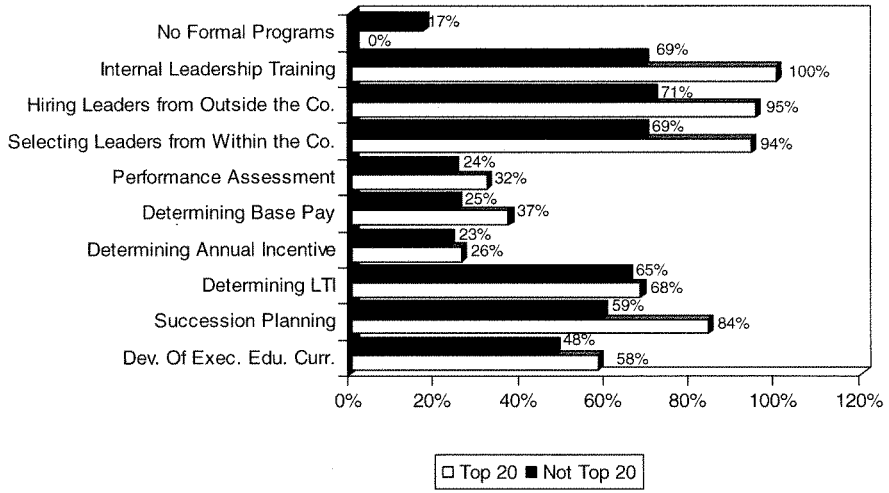
This year's study is global in scope, with data gathered from human resource executives representing 320 major companies based in the United States as well as 250 companies based in Europe and in Asia-Pacific. We examined the variables that primarily influence a leader's growth in an organization, including developmental experiences, compensation, senior leadership interaction, organization culture, succession-planning processes, and more. Our interest is in identifying the factors, and the interactions between factors, that optimize continuous development of great leaders.

The attached slides represent the data Hewitt gathered from 2003 participants on succession planning and management.

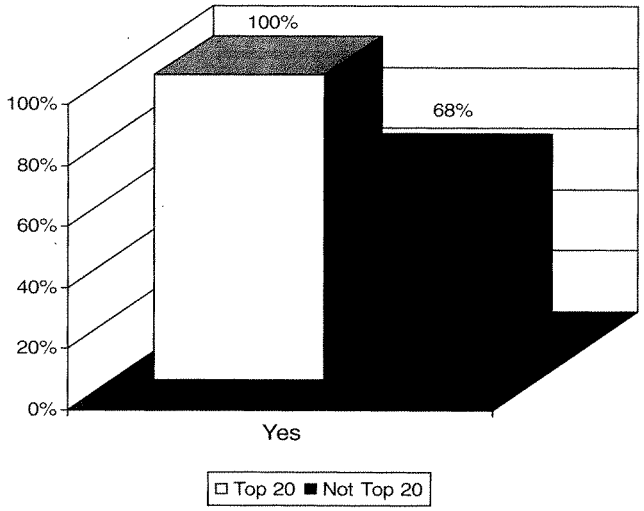
Does Your Organization Have Defined Leadership Competencies?



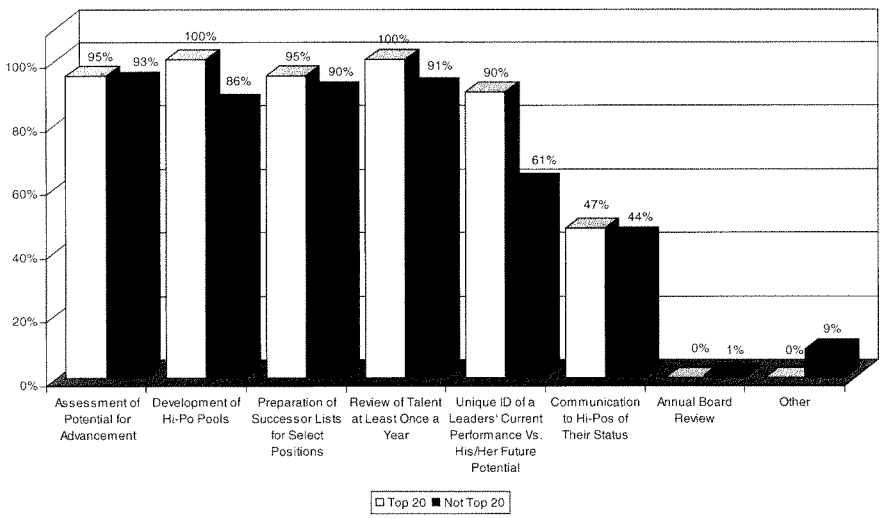
Leadership Competencies Are Used in the Following?



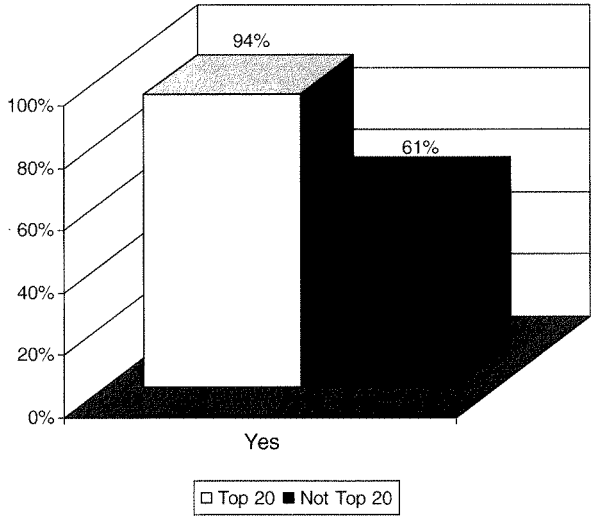
Does Your Company Have a Formal Succession-Planning Process?



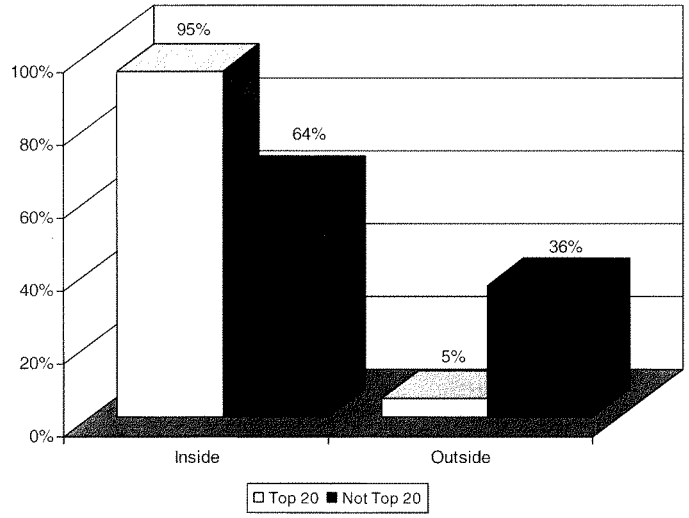
Succession Plan Includes...



Does Your Company Have a CEO Succession Plan?



Was Your Current CEO Brought Into the Position From Inside or Outside the Firm?



Mrs. DAVIS OF VIRGINIA. Thank you very much, Mr. Messner.

Mr. Gandossy? Am I pronouncing it correctly?

Mr. GANDOSSY. Gandossy.

Mrs. DAVIS OF VIRGINIA. Gandossy.

Mr. GANDOSSY. Madam Chair and members of the subcommittee, thank you for having me here. I have presented to boards of directors and senior management teams of some of the world's largest corporations, but this is my first time before a subcommittee, so I am honored to be here.

Mrs. DAVIS OF VIRGINIA. Well, we are glad to have you.

Mr. GANDOSSY. I also want to say that I am not an expert on the Federal Government, but I am an expert on succession planning and management practices and leadership practices of the world's largest corporations.

I want to begin by echoing what some of my colleagues have already said, and that is that succession management is a system; it is a process; it is a set of practices; it is a way of operating and managing an enterprise; and it can't be done well by adopting someone else's best practices.

For decades, leaders of all walks of life have understood that people are the source of lasting competitive advantage for any organization. The late, great Alfred Sloan, one of the leaders of General Motors, once said, take my assets and leave my people, and I will have it all back in 5 years. Bill Gates of Microsoft said, take 20 of our best people and overnight we become a mediocre company. And more recently Jim Collins wrote a terrific book called "Good to Great" in which he said that first finding the best people, then you determine the strategy and the priorities for the enterprise, and that is the way to operate.

But in spite of this knowledge and deep-seated understanding, many organizations do not operate with these principles in mind. They are characterized by tenure-based systems rather than those based on contribution; they hire and develop B players, as opposed to seeking and identifying the best; and they have a high tolerance for mediocrity and substandard performance. But driven by fierce competition and demographics, as we have talked about, and the prevalence of better models to follow, the last decade has brought with it much more rigor and more sophistication in terms of how organizations throughout the world manage their talent.

In spite of this, in both the public and the private sector, we face a leadership crisis. The demographic challenges alone are daunting. As was said already this afternoon, aging boomers are beginning to retire, or at least begin to think about it. And as this boomer bubble bursts, the biggest challenge is the drop in the number of people between the ages of 35 and 44. Over the next 15 years there will be a 15 percent drop in that key population that is the category of people that is so critical to developing future leaders. Since peaking in the late 1990's, the numbers for this group have decreased markedly, and will continue to fall until 2015, when again they will begin to slope upwards.

But the leadership crisis exists for more than demographic reasons. Confidence in leaders has declined everywhere. The lack of integrity by a few have tainted all. Temptations abound, uncertainty is great, and too many institutions have under-invested in

identifying and developing talented leaders. And what does this mean for the future, and where will leaders come from, and what are the best organizations around the world doing to develop leaders? And in parallel to your study of institutions around the world, public institutions, we have done a study of private institutions around the world.

In 2001, Hewitt Associates, which is one of the largest human resources consulting firms in the world, undertook what we called a top companies for leaders study, and in that we wanted to understand with empirical data what is it that the best companies do to develop future leaders, and we embarked on surveying CEOs and human resources executives at 240 of the largest 500 companies in the world. We interviewed, in-depth, leaders at those companies, and in 2003 we cast a global net in which we looked at over 320 companies in the United States and hundreds more in Europe and in Asia Pacific.

Based on that experience, we found that there were three fundamentals that exist in all of these companies that do this well, and we identified the best of the best. And of those three fundamentals, we refer to them as the three truths of what these organizations do, and you have heard a little bit already this afternoon from public institutions as well. The first that is required is top executive leadership and inspiration. And let me say that without the passionate and visible commitment of the top executive, developing great leaders is not possible.

It seems intuitive that top executive involvement would be a critical success factor, but involvement in developing people takes on a whole new dimension. It is imperative that the senior executives not only are involved, but they actively participate; that they provide the inspiration, the commitment, and the time and focus on developing people. For example, CEOs at the best companies in the world are intimately involved in succession planning; they participate in talent reviews, they coach and mentor their direct reports. They are involved in a process to make sure that the key people fill the best positions.

Leadership development workshops at many companies have a guest appearance from the top executives, but at the top companies the leadership development initiatives are developed and owned by the top executives. They are not only present, they are teaching, they are learning, they are observing, they are interacting firsthand with the very best people. They own it. This is not head-nodding passive support, this is often an in-your-gut belief, and that is how you run the enterprise, and it is the way to get better results.

For CEOs of top companies, that means spending as much a quarter of their time on people and developing people. Jack Welch, the former chairman of General Electric, used to say that he would spend 50 percent of his time developing people and managing talent. His successor, Jeff Immelt, spends 15 to 16 full days during the months of April and May, when GE conducts its famed Session C, which is their succession planning process. When things were running well, Larry Bossidy, the former chairman of AlliedSignal and Honeywell, would spend 20 percent of his time on people; when things were not going well, he would double that investment. And

at times Roger Enrich, the former CEO of PepsiCo, would spent 25 to 30 percent of his time just coaching and developing emerging leaders. They spend the time because there is a direct link to business results, and running an effective organization, to them, is developing leadership capability.

The second fundamental that we found is a maniacal focus on high potentials, and it begins with who comes in the door. They are ruthless and fanatical in searching for the best talent; not the best talent out there, but the best talent for them, for their particular agency, for their enterprise. And once that talent is in the door, they spend the same time and care in identifying high potentials and developing those high potentials. They are careful about evaluating that talent, and they focus a lot of attention on matching leaders with key jobs, and providing global and regional assignments that promote strong development, and they invest in discovering what matters in preparing people for certain roles. Some companies go so far as not only know the key capabilities and competencies required for certain jobs, but the sequence in which someone has to go through certain jobs to acquire those jobs.

The third fundamental is the right leadership practices done right. Many institutions have common elements of leadership development, and talent and succession management programs, but what sets apart the best is a careful design and a lean design of programs, but a relentless dedication to executing on these programs flawlessly. They do not separate and set apart these programs from running the enterprise; they are integral to running the enterprise. All of the top companies that we have identified have formal succession planning processes, as compared to only 68 percent of all other companies.

Succession management at top companies usually includes elements of assessing potential talent, developing high potentials, lists of successors for key jobs, and a structured talent review process. As we look into the future, the challenges are daunting and the opportunities are great for public and private institutions. Top companies are well on their way to preparing themselves and their people to meet these challenges head-on; they are a step ahead of the rest, and they are not complacent.

That concludes my formal remarks. I would be happy to take your questions.

[The prepared statement of Mr. Gandossy follows:]

Statement by Robert P. Gandossy
Global Practice Leader, Talent and Organization Consulting
Hewitt Associates

On

"Human Capital Succession Planning: How the Federal Government Can Get a Workforce to Achieve Results"

Before the

House Government Reform Committee, Subcommittee on Civil Service and Agency Organization

October 1, 2003

Madame Chair and members of the subcommittee: thank you for the opportunity to testify before you today on the challenges of succession planning and human capital management.

Effective succession management is a system, a process, a set of practices, and a way of operating and managing an enterprise. It can not be accomplished simply by adopting someone else's best practices.

For decades, leaders in all walks of life have understood that people are their organization's only source of lasting competitive advantage. Everything else can be replicated—products, services, infrastructure, but not people. The great industrial leader of General Motors, Alfred Sloan, once said, "Take my assets, leave my people, and in five years I'll have it all back." Bill Gates of Microsoft once said, "Take our 20 best people and virtually overnight we become a mediocre company." And more recently, Jim Collins, in his book, *Good to Great,* emphasizes the importance of getting the right people on board first and then setting the strategy.

In spite of this knowledge and deep-seeded understanding, many organizations do not operate by this principle. They are characterized by tenure-based systems rather than those based on contribution; they hire and develop "B" players as opposed to seeking and identifying the best; and they have a high tolerance for mediocrity and sub-standard performance.

Driven by fierce competition, demographics, and prevalence of better models to follow, the last decade has brought with it much more rigor and sophistication in regard to managing talent. Still, we are on the edge of a

leadership crisis in both the public and the private sector. The demographic challenges alone are daunting. Aging Boomers are beginning to retire or at least think about it. As this Boomer bubble bursts, we will see a 15 percent drop in the number of men and women of "key leader age"—those in the 35- to 44-year old range. Since peaking in the late 1990s, the numbers for this group have decreased markedly and will continue falling until approximately 2015 when they will once again begin a slow upward climb.

The leadership crisis exists for more than demographic reasons. Institutions are too complex. Confidence in leaders has declined. The lack of integrity by a few has tainted the integrity of all. Temptations abound. Uncertainty is too great. And too many institutions have underinvested in identifying and developing talented leaders. What does this mean for the future? From where will our needed leaders come? What do organizations today do to build and sustain talent quality and depth?

In 2001, Hewitt Associates initiated the Top Companies for Leaders research. We set our sights high—to identify the combination of factors that allow financially successful organizations to consistently produce great leaders. Inspired to conduct this study by the dearth of fact-based, well-researched information in the marketplace focusing on how successful companies develop great leaders, we started by surveying CEOs and human resources executives at 240 of the world's top 500 multinational companies. Then, we conducted hundreds of in-depth interviews with leaders at more than 50 companies to gather anecdotal information for our book. In 2003 we added a global perspective to the study, surveying not only 320 U.S.

companies, but hundreds in Europe and Asia as well to explore the organizational levers that contribute to leadership strength and depth and identify the companies that consistently produce great leaders and deliver superior financial results.

Based on Hewitt's consulting experience and this extensive research in the area of leadership, we have found that there are three fundamental elements that differentiate the Top Companies for Leaders from all others. These leadership "truths" are essential for an organization to build strong leaders and have strong succession:

1. Top Executive Leadership and Inspiration

Without the passionate and visible commitment of the top executive, developing great leaders is not possible. It seems intuitive that top executive involvement would be a critical success factor. But, "top-down support" has become such a catchphrase in recent years; the real impact and meaning have grown fuzzy. "Involvement" takes on an entirely new meaning in the realm of growing great leaders.

It is imperative that top executives not only support the development of future leaders, but also actively participate, communicate frequently about it, and provide the inspiration, passion, and the necessary resources. It must have their stamp, their imprint. For example, CEOs at the Top Companies are intimately involved in their talent review processes—reviewing top candidates, ensuring their teams conduct thorough, fair reviews of their direct reports, and that the process is used to fill key roles with top people.

Leadership development workshops in many companies have a "guest appearance" by the CEO—at Top Companies, CEOs are not only present much of the time teaching, learning, engaging, and observing—they believe it is their forum. They own it. This is not head-nodding, passive support. It is often a passionate, "in-your-gut" belief that it is one of the single most important roles for the top executive. And it is the way to better results. For CEOs of the Top Companies, that means spending at least a quarter of their time and, in some cases, over half their time devoted to leadership. Jack Welch, former chairman of GE, used to say he spent 50 percent of his time on people issues. His successor, Jeff Immelt, spends 15 to 16 full days just during the months of April and May when GE conducts its famed Session C—talent reviews—for each of its 13 businesses. When things were running well, Larry Bossidy, former AlliedSignal and Honeywell CEO, would spend 20 percent of his time on people—hiring, providing developmental opportunities, and really getting to know them. When he was rebuilding an organization, he'd double his time investment. At times, Roger Enrico, former CEO at PepsiCo, would spend 25 to 30 percent of his time just coaching and developing emerging leaders off site in his largely self-designed leadership development program "Building the Business." They spend the time because they know there is a direct link to results; running an effective organization is building *leadership capability.*

2. Maniacal Focus on High-Potentials

It begins with a strong talent pipeline. Many of the Top Companies have built a respected marketplace image, reputations for developing talent, and innovative and selective recruiting processes, ensuring a full and powerful

pipeline. These companies are not recruiting and not hiring the best and the brightest "out there," but they are hiring the best for them and they spend time and care doing so. Once hired, they spend the same time and care identifying and developing the best.

Learning that Top Companies focus on developing their high-potential talent should not be, in and of itself, particularly surprising. But they not only spend considerable time identifying and evaluating their high-potential people, they also focus heavily on matching leaders with jobs, providing cross-functional experiences and global or regional assignments that promote strong development. They invest in discovering what matters in preparing people for certain roles.

3. The Right Leadership Practices, Done Right

Many institutions have common elements of leadership development and talent and succession management programs. What sets the best firms apart from the rest is not just careful design of the right process but a relentless dedication to executing these flawlessly. And that means ensuring what they do is integral to the business.

All of the Top Companies for Leaders have a formal succession planning process in place compared to 68 percent of all others. But what we learn from the Top Companies is that succession planning done in isolation of other performance systems is a waste of time. Organizations need to have find the right combination of the best talent, challenging job assignments, dedicated coaches and mentors that hold employees accountable to deliver

but also provide a safety net to facilitate learning, and well-established and structured processes to evaluate talent and manage succession process.

Succession management at Top Companies usually includes some assessment of potential development of high-potential pools, lists of successors for key jobs, and a structural talent review process.

At Top Companies, managing and developing talent is running the business. Strategy—where the organization is headed, the products and services offered, and markets served—and operations—how decisions are made, the infrastructure, systems, and processes to support the strategy—are inseparable from the talent needed to do both.

As we look to the future, the challenges are daunting and the opportunities are great. Top Companies are well on their way to preparing themselves—and their people—to meet these challenges head on. They are a step ahead of the rest and they are not complacent.

Mrs. DAVIS OF VIRGINIA. Thank you, Mr. Gandossy and Mr. Messner.

We will begin the questioning with my ranking member, Mr. Davis.

Mr. DAVIS OF ILLINOIS. Thank you very much, Madam Chairwoman.

Mr. Messner, you indicate in your testimony that by 2007 we can expect about 50 percent of the SES personnel to retire. Do you see us having in place a system or systems that will produce or generate the kind of replacement personnel that we need?

Mr. MESSNER. Well, in some cases, in the minority of cases. I think less than half the agencies have a system that I could point to now and feel comfortable as a taxpayer that they are going to produce the products that we need. I think the emphasis that is being placed on this subject now is going to help us. I think your committee's attention is going to help us. And I think making this program a part of the President's initiatives for management improvement would help us even more.

Mr. DAVIS OF ILLINOIS. I know that we could develop leadership development programs or we could develop systems that we don't have, but given the fact that we are talking about a relatively short period of time, are there things that you could see happening or see us doing that we don't necessarily have on the scope right now?

Mr. MESSNER. I do. I think that we have to work agency by agency. The cultures of these agencies are so different; the histories of them, the kinds of problems they are dealing with, and, therefore, the kinds of people they recruit. I have been part of agencies that had basically a scientific and engineering cast to them; the employees came from a set of engineering and scientific trainings that made them interested in certain development programs that are different than others that I have been with where they come out of the social sciences and human resource areas.

I really believe the Academy finds it better to, one, highlight the need and then, two, work with individual agencies on tailoring and designing programs that fit that particular culture and that particular leadership group. There is no simple way to do it, it seems to me, or at least we haven't found it. There are some principles, and I think you have heard some of those today by some of the witnesses.

Mr. DAVIS OF ILLINOIS. How do you respond to those individuals in other kinds of discussions who suggest that we need across-the-board approaches and systems, as opposed to looking at and tailoring activity toward individual agencies? I know that as we discussed A–4 performance and some other things, we have had individuals who suggest that across-the-board might be a better approach than the agency-by-agency attack.

Mr. MESSNER. Let me just say I believe in standards. I mean, I think you can set some standards, you can set some goals, you can set some principles in place and urge people to participate across the board; and I think this President has done a pretty good job in trying to simplify management attainment symbols through the different colors that he gives if you achieve something. That helps, and I think saying universally we want to have succession planning in every one of our agencies, as my colleague just says hap-

pens in 100 percent of the great companies in this country, helps you. But, finally, you have to get in there and see the culture and work with the people in a particular situation. Many of our agencies are insular, don't have a lot of comings and goings of people; the people come in at the bottom of the system, stay for 30 years and end up at the top of the system; and you really have to work with that kind of a system on an individual basis.

Mr. DAVIS OF ILLINOIS. Mr. Gandossy, I was intrigued by your approach to developing top-flight leadership for the best of companies and companies that have indeed excelled and continue to do so. Do you think that the structure of the Federal Government lends itself to that kind of leadership development?

Mr. GANDOSSY. First of all, it would be presumptuous for me to suggest much about the Federal Government, given I am not an expert, but what I do know and what I do know about organizations throughout the world is that I think that there are common frameworks and common elements that apply to all enterprises, regardless of whether they are public institutions or private. There are characteristics about the Federal Government that I do think make it much more problematic. One of the things that I said is most important in the private sector is the inspiration of senior executives and the leadership of senior executives, and the role of the board of directors, I might add. In the Federal Government, where there are political appointees that, as you indicated, turn over every 21 months I believe you said, Mr. Messner, I think it makes it much more challenging, but not impossible by any stretch.

Mr. DAVIS OF ILLINOIS. That was precisely what I was thinking as I tried to follow and as I did follow, you know, the cost of the turnover. I mean, can we separate sort of the political leadership and the actual operational management so that individuals within would in fact be in a position to provide the kind of visionary approaches that will stimulate, motivate, and activate other personnel to internalize what it is that you are trying to convey?

Mr. GANDOSSY. I would defer to Mr. Messner on that, but on the face of it I would say absolutely yes.

Mr. MESSNER. You know, succession planning for the political level is provided by elections. In the case of the career service, I have always believed that the career service needs to take ownership and some pride of ownership in the Governmental enterprise; they are the people who come and stay, are especially cared for and have the privilege of serving for long periods of time, and they are very capable of leadership and the formation of ideas. The Senior Executive Service is an excellent vehicle into which we move the best and the finest, as someone once said, and I think they are capable of leadership.

I do think the political leadership has to say we want this to happen, we will give you time to make this happen, and then we are going to ask you questions to see if it is happening in a proper way.

Mr. DAVIS OF ILLINOIS. I find both your positions intriguing, of course. I think that is a sticking point; I mean, I couldn't see a lot of people actually running for elective office if they didn't think they were going to be in charge, as opposed to somebody else, but I think that is a line.

Mr. MESSNER. Yes, it is.

Mr. DAVIS OF ILLINOIS. And I think that will have a great deal to do with implementation of the kind of approach that you laid out.

Thank you both very much.

Mr. MESSNER. Thank you.

Mrs. DAVIS OF VIRGINIA. Thank you, Mr. Davis.

I am not going to jump to the Republican side, I am going to yield to Ms. Holmes-Norton, who has joined us, and see if you have any questions.

Ms. NORTON. I do, Madam Chair. I rushed up, with apologies, from a homeland security hearing, which is still going on, because I want to thank you for holding this hearing. I regard it as a very important hearing. I remember just a couple years ago when Mr. Voinovich had a joint hearing of our subcommittee and his own committee because of the notion that so many of the Civil Service were in fact going to retire, and I would like to ask the question in that regard.

Yes, they are retiring. These folks who are leaving the Federal Government now came perhaps at the golden age of the Civil Service, when in fact working as a civil servant was the functional equivalent of working for your country, was one of the best jobs in the United States, with its benefits, which now lag behind, for example, in health care, well behind the Fortune 500 and Fortune 1,000.

You spoke, Mr. Gandossy, about turnover at the political level. Well, these days, turnover of CFOs may be even more rapid. I am not sure that very top level is what matters to the civil servant, because the civil servant knows that we have a merit service, and that the Chair and I may go, and the President may go, but the civil servant is protected from that political turnover. So the civil servant may well look to the SES and how it is treated to decide whether to go to the private sector, which, if I may say so, is a whole lot more, forgive the expression, sexy to many young people today than coming to Government. And so we find it far harder, it seems to me, than our parents did to get the best and the brightest to automatically decide the Federal Government is where we ought to go.

And I don't believe this problem is confined to the obvious, to science, where you might expect it, to engineering, to places where talent is rationed. I am concerned with what I will call, even though there is disagreement in the Congress with the core functions of Government. Because there has been so much contracting out in Democratic and Republican administrations, there is a lot of disagreement on what is it that Government must do; and we will have to fight those battles out and there is a big FAA problem up here now, and that battle is being fought out. Quite aside from that kind of problem, I am wondering whether or not we could get to the point, given the scarcity of talent, I am talking about management talent, not simply technical talent, whether we could get to the point that we would be contracting out functions that the Chair and I might agree were indeed core functions just because of the lack of competent leadership to manage those functions. That would be my concern about the SES, and I want to know whether you think that we could get to that point because of talent prob-

lems, recruitment problems, succession problems, and competition with the private sector.

Mr. MESSNER. I will take a crack at that, Congresswoman, and it is nice to see you.

Ms. NORTON. My pleasure, Mr. Messner. We go back many years. He and I both will keep to ourselves how many.

Mr. MESSNER. We will, indeed. I will keep that confidential.

I think the irresistible impulse of public service lies in the nature of that service. The Government never could compete for financial rewards; it can't compete for many of the things that the private sector can do. And I had 26 years of Government service and 15 in the private sector, so I had a great chance to contrast the two. The Government will always lose if it is a question of salary, if it is a question of benefits, if it is a question of perks, if it is a question of travel, and if it is a question of privacy, because in the public sector you are transparent and you have to be on display at all times; in the private sector that isn't true. So we go into the game, so to speak, of competition for talent knowing that set of facts.

On the other side of ledger, however, is the mission of the Federal Government. I came into the Government in 1962 to work for the space program, and it was a new idea and a fresh idea, and there was no place else in this country you could go for that kind of excitement. And in the 26 years I moved 10 or 12 times from agency to agency, program by program, and met thousands and thousands of employees who were in the work for the fun of it, the excitement of it, and the service of it; and that is a pretty good deal. If I have to compete for talent, I used to recruit for OMB up at the Maxwell School and Stanford, and all these great learning institutions, and I did quite well talking about the substance of the program you would get to participate in.

Ms. NORTON. Mr. Messner, would you do as well today?

Mr. MESSNER. It would be hard to say that the excitement is easier, but then I am older, so who knows, if I was 25 again, it would be as exciting.

Ms. NORTON. No, I am talking about what you are recruiting to, not your own vigor, which I do not doubt.

Mr. MESSNER. Thank you. Thank you, Congresswoman.

Ms. NORTON. I am talking about the Government you are recruiting to, where the same person from Yale Management School, for example, is recruited by Fortune 500 companies as well as the Federal Government. It was very intriguing in 1962. What do you do to replace that, or at least to compete with the private sector, which, I hate to tell you, may be just as intriguing as the Federal Government these days.

Mr. MESSNER. Yes, your point is obviously well taken. It seems to me that we have to make a very good case today to get the attention of the best and the brightest in young people, and with the problems of homeland security and the threats to this country, with the opportunities in public health and science and engineering, I think that case could be made, and I think we will do well if we make the case soundly.

Mr. GANDOSSY. I think you have made an excellent observation, and I won't speak to the issue of what the Federal Government can do or should do to recruit top talent, but I will say that the obser-

vation that you made about having to rethink what is core to the Federal Government, and what perhaps is acquired on the outside, there are certainly parallels with the private sector of either alliances or outsourcing or acquisitions that are often done because of the shortage of talent; they are not done necessarily for strategic or business reasons, they are done because we do not have the talent to grow and maintain operations, and that is quite widespread. In the 1990's there were over 60,000 joint ventures and alliances in the private sector. We would expect in the next 10 years for those to increase substantially, and they are often done for the reasons that you cited.

Ms. NORTON. Thank you, Madam Chair.

Mrs. DAVIS OF VIRGINIA. Thank you, Ms. Norton.

I have just a few questions, because I do want to move on to the third panel.

Mr. Messner, this one is to you. Do you think there are any problems or challenges in succession planning that you believe are unique just to Government agencies, as opposed to the private sector?

Mr. MESSNER. That is a really wonderful question. There are functions of the Government which are inherently governmental, in my opinion, things having to do with national security and the integrity of the financial systems of the Government and the public. I think there are some things that are unique, challenges which aren't replicated either in the private sector or in the not-for-profit sector, and that requires extra thought and longevity. Certainly work in national security areas of intelligence and defense have unique aspects that require everything from personal secrecy of behavior to standards of work that aren't found anywhere else, and that then requires extra thought when it comes to planning for the succession of such individuals. And I have never not thought the Government was a very serious place and required serious thought, so we have an extra burden in the public sector that isn't found in the private sector, it is an undercurrent that requires each person who comes into the Government to have a sense of extra responsibility, and that is reflected in succession planning.

Mrs. DAVIS OF VIRGINIA. In your opinion, what are the most important, say, two or three things that OPM or individual agencies could be doing to strategically manage their succession planning?

Mr. MESSNER. Well, first of all, you have to ask the question. If you are in OPM, you have to say to the agency, let us talk about succession planning for an afternoon. I think the Office of Management and Budget should be involved in that. I spent 13 years of my career in the Office of Management and Budget, and I know when we asked a question, it got a lot of attention in the agencies. And I think if the Congress will ask, in their oversight of OMB and the Office of Personnel Management, what they are doing to ensure that each agency is coming up with a sound plan, I think that would really spur some pretty good attention.

Mrs. DAVIS OF VIRGINIA. Mr. Gandossy, I guess I understand that you haven't been involved with the Federal Government, but do you have any practices or lessons learned from the private sector that you think might benefit the Government?

Mr. GANDOSSY. I think many of the things that go on in the private sector are applicable. There are various talent review processes, ways to identify emerging talent, ways to accelerate the development of that talent by movement of people through key jobs, research that is done to identify what are the capabilities and competencies that people need and how they go about getting them. All those things are applicable to any institution.

Mrs. DAVIS OF VIRGINIA. When you talk about, and I think it was in your statement, that right programs done right, could you expound on that a little bit and tell me exactly what you meant?

Mr. GANDOSSY. There is a tendency in the consulting field, and I would say in the human resources field, to be enamored with the design or the sophistication of programmatic things; they tend to be over-built, instead of being practical and fit the needs of an organization and be embedded in what their mission is. And I think what you find in the best companies is that there is a lean design in whatever they do, they don't over-build, they tend to have very solid metrics about whether they are being effective or not, and they are integral to running the business. Everything else is extraneous, and drags on the organization and becomes a bureaucracy. So I think when we say right programs done right, that is what we are referring to.

Mrs. DAVIS OF VIRGINIA. We certainly don't have any bureaucracies in any of our agencies, so that shouldn't hurt us.

Mr. GANDOSSY. Good.

Mrs. DAVIS OF VIRGINIA. And I would say, Mr. Messner, that maybe our political appointees may stay longer than 21 months if they could be confirmed a little quicker.

Mr. MESSNER. That is a very good point.

Mrs. DAVIS OF VIRGINIA. I do want to thank both of you gentleman for coming today, and we do have other questions that we probably would like to submit to you in writing to have your answer in the record, and then we will make sure that the committee members have a chance to review them, but I don't want to keep the other witnesses waiting much longer. And I do thank both of you gentlemen for coming, and, Mr. Gandossy, you did very good. It might have been your first time, but I am sure you will be asked back.

Mr. GANDOSSY. Thank you.

Mr. MESSNER. Thank you very much.

Mrs. DAVIS OF VIRGINIA. I would now like to invite our third panel of witnesses to please come forward, and I thank you for your patience.

On this panel we have representatives of various Federal agencies that are putting the things we are talking about today into practice. From the Environmental Protection Agency we have David O'Connor, the Deputy Assistant Administrator for Administration and Resources Management; next we will hear from Vicki Novak, the Assistant Administrator for Human Resources and Chief Human Capital Officer for NASA; and finally we are pleased to have William Campbell, the Acting Assistant Secretary for Human Resources and Administration at the Department of Veterans Affairs.

I want to thank you all again for coming today, and I do apologize for the wait, but I am glad you all were willing to hang around for a little bit. And I have already sworn all three of you in, so we will begin with Mr. O'Connor.

Mr. O'Connor, you are recognized for roughly 5 minutes.

STATEMENTS OF DAVID J. O'CONNOR, DEPUTY ASSISTANT ADMINISTRATOR FOR ADMINISTRATION AND RESOURCES MANAGEMENT, ENVIRONMENTAL PROTECTION AGENCY; VICKI A. NOVAK, ASSISTANT ADMINISTRATOR FOR HUMAN RESOURCES AND CHIEF HUMAN CAPITAL OFFICER, NATIONAL AERONAUTICS AND SPACE ADMINISTRATION; AND WILLIAM H. CAMPBELL, ACTING ASSISTANT SECRETARY FOR HUMAN RESOURCES AND ADMINISTRATION, DEPARTMENT OF VETERANS AFFAIRS

Mr. O'CONNOR. Thank you very much, Madam Chairwoman and members of the subcommittee. I am very pleased to be here today to discuss our agency's approach to work force development and succession planning.

I will start off by saying that it was in the mid to late 1990's that these issues of the aging work force first began to surface at EPA, and at that same time we began dealing with some serious concerns about diversity of our work force and skill needs at the agency. And back in about 1997, in response to those concerns, we developed an EPA Workforce Development Strategy. We began this strategy by conducting a serious assessment of the skills and the competencies that the agency would need over the next 20 years to successfully fulfill its mission. Then, based on this assessment, we created a series of programs to address the developmental needs of employees at all levels across EPA. So today at the agency you will find developmental programs targeted are clerical and support staff, our non-supervisory and middle grade staff, our supervisors and managers, and our senior executives. There is not time today to discuss all of those, but I would like to highlight three particular initiatives under our Workforce Development Strategy that are important to the issue of succession planning.

When we took a look at our age demographics a few years ago, as you have already heard several people state, we realized that 60 percent of our SES corps will be eligible to retire by 2008. I think about half of them are probably eligible right now. We also noted that the overwhelming majority of all of our employees were already in the age bracket of 45 to 55 years. So we were concerned that not only might we potentially lose a lot of talent in the SES, but those people that you would typically look to be coming up behind them are also in essentially the same retirement situation; and, in fact, less than 5 percent of the employees at EPA were under the age of 30.

As we focused on the impending retirements of our senior management ranks, we also realized that many of our SES employees had been in their very same positions for many years, some of them even for decades. In November 2001, the agency formally initiated an SES Mobility Program that was designed to revitalize and strengthen our programs and our SES corps. The primary purpose of the Mobility Program is to ensure that the agency's senior

leaders have a wide-ranging set of skills and the expertise to react to continuous change. This program reflects our belief that our senior executives and, indeed, much of our work force will require increasingly broad-based, rather than narrow, experiences if EPA is to be successful in meeting the challenges of the future. In the first year and a half of this program, 71 of our 245 SESers were assigned into new SES positions. We have now made mobility consideration a part of filling every SES vacancy that comes up, and we are working very hard to instill the expectation and the value of mobility and broad-based experience throughout our work force.

To help prepare EPA for an expected loss of SESers to retirement, we also developed an SES Candidate Development Program last year. This is intended to create a cadre of managers who will be ready to step in behind retiring SESers. It has been more than 10 years since we had such a program. Last year we selected 51 candidates through a very highly competitive process. Those candidates will be completing their program, for the most part, this winter. Several have already received SES certification from OPM, and a few others have actually been selected into the SES in recent months. And we are now discussing when to start a second Candidate Development Program either later this year or by 2004.

One of the most successful efforts in attracting new talent to the agency has been our EPA professional interim program. This is a program that is designed to be a model for attracting the highest quality and diverse applicants to EPA with the hope that they will be among our future leaders. It is a 2-year program, and unlike the PMI program that was mentioned earlier, when we hire people into this program, they are permanent employees of EPA and they do have a job at the end of 2 years. But in the first 2 years we give them broad experiences in developmental activities, rotational assignments all across the agency. They have experience in headquarters and in our regions in a variety of jobs all before they are officially assigned to a final position at the end of the 2-years.

We have hired an intern class each of the last 6 years; our sixth one just came on this month. It is an extremely competitive program; this year we had about 2,000 applicants for 39 positions. Most of them are selected as outstanding scholars; they have a wide range of degrees and are assigned to all offices and regions across EPA. I am very proud that today we have hired 191 interns. Forty-five percent of these are minorities or people with disabilities, and our retention rate so far is 90 percent. This is the highest profile and most visible hiring program in the agency, it gets a lot of attention right in the Administrator's office, and we are extremely proud of it.

We recognized, in our efforts to deal with diversity over the last several years, that with an agency that is no longer growing, to change the profile significantly is going to be a very difficult task, but we also recognized that we have a monumental opportunity in future years with these retirements that are coming up. This EPA Intern Program is a model that we created to kind of set the stage for taking advantage of that opportunity to really ensure that we are bringing in the best people and diverse people into this agency. I would love it if you could see our assembled interns, it gives you quite a bit of confidence in the future of the Federal work force.

Now, while we are pleased with the implementation and success of these initiatives, we still face challenges in achieving the President's management agenda. We have devoted, even in times of tough budgets, some optimal resources and attention to this initiative. It does have the close attention of the administrator and all of our senior leadership. We have appointed a senior level human capital strategy implementation group; we are now developing a Human Capital Accountability Plan for all of our initiatives and for tying our accomplishments in the human capital arena to our overall mission results; and we are finally working to better integrate EPA's human resource systems with the budget and planning process, and we believe this will position the agency to effectively achieve our human capital goals.

Again, I appreciate the opportunity to speak here today. I would be happy to answer questions.

[The prepared statement of Mr. O'Connor follows:]

Statement of David J. O'Connor
Deputy Assistant Administrator for
Administration and Resources Management
U.S. Environmental Protection Agency

before

The Subcommittee on Civil Service and Agency Reorganization
of the
Committee on Government Reform
U.S. House of Representatives

October 1, 2003

Madam Chair and Members of the Subcommittee:

Good afternoon, I am David J. O'Connor, Deputy Assistant Administrator for Administration and Resources Management at the Environmental Protection Agency (EPA). I want to thank the Subcommittee for the opportunity to appear today to discuss our Agency's approach to workforce development and succession planning. Clay Johnson, from the Office of Management and Budget, acknowledged some of the work that EPA has been doing in this area in his testimony before this Subcommittee on September 17, 2003, and in particular our Senior Executive Service Mobility Program.

This program, along with several others that I will address today, grew out of our recognition in the mid to late 90's that we had significant numbers of "Baby Boomers" who would be eligible for retirement at the same time. To prepare for this inevitable loss of highly-skilled and experienced employees, we created an EPA Workforce Development Strategy. The Workforce Development Strategy looked at the Agency's demographics, our mission requirements, needs for succession planning, and potential retirement numbers and laid out a plan for a comprehensive employee development program.

In developing the Strategy, we began by conducting an assessment of the skills and competencies that the Agency would need over the next 20 years to successfully fulfill our mission of protecting public health and the environment. Based on this assessment, we created a series of programs to provide: administrative employees with a range of developmental experiences under the "New Skills/New Options" program; a mid-level development program for our professional, scientific and technical non-managerial staff; and a series of developmental programs for all levels of management.

The EPA Intern Program has been one of our most successful efforts in attracting new talent to the Agency. This entry level, permanent employment and career development program has resulted in the hiring of 191 interns over the past six years, 45% of whom are minorities or individuals with disabilities. This year alone, 1843 applications were received; 438 applicants were qualified for the 39 positions, which gives some indication of the program's success, and also the high interest in working for EPA. With a retention rate of 90%, the EPA Intern Program has been a wonderful addition to our hiring program.

EPA recognizes the importance of attracting and retaining qualified leaders. In 2002, the Agency initiated a Senior Executive Service (SES) Candidate Development Program that identified more than 650 applicants from across the Federal government. Of these, 51 were selected to participate in a rigorous eighteen month development program consisting of rotations, leadership training and mentorship. To date, four candidates have been selected for SES positions, two are pending placement and six have been certified by OPM and waiting for an SES position selection.

As we began to focus on the many impending retirements that would be occurring in our management ranks, we also realized that many of the Agency's SES employees had remained in their positions for years, some for decades. So in November 2001, the Agency formally initiated

an SES Mobility Program to revitalize and strengthen the Agency's programs and the senior leadership team. The primary purpose of the mobility program is to assure that the Agency's senior leaders have a wide-ranging set of skills, and the expertise to react to continuous change while still achieving solid results. At EPA, we depend on our senior executives to have the ability to steer the helm of any organization, to exhibit the flexibility needed to maneuver successfully from one challenge to the next. Over 250 positions/employees were identified for potential reassignments. Of these, 71 SES managers have moved to other SES positions within the EPA. In addition to executive career growth, there is a strong business reason for mobility - EPA's critical need to deal with cross-agency and integrated environmental issues grows greater every day; therefore, it is incumbent on Agency leadership to ensure that senior executives are equipped to address new and emerging issues as well as broad-based challenges.

The implementation and success of these workforce development initiatives has not eliminated the continuing challenge of making progress in achieving the President's Management Agenda for the Strategic Management of Human Capital. In the past two years, EPA has worked diligently to ensure that the optimum level of resources and attention is devoted to our Human Capital initiatives. We have appointed a Human Capital Coordinator to lead our efforts, re-aligned our human resources staff, and created a Human Capital Strategy Implementation Group charged with coordinating the development and implementation of our Human Capital Strategy once we complete revision.

We are developing a Human Capital Accountability Plan to set out the methodologies and the people responsible for monitoring progress in implementing our many human capital initiatives, and for tying accomplishments in the Human Capital arena to overall mission results. We are moving towards addressing the need for greater accountability by better

integrating EPA's human resources systems with the budget and planning process. All of these efforts have positioned the Agency to more effectively achieve our Human Capital goals.

We are currently conducting program evaluations of many of our workforce development programs such as the EPA Intern Program, the Candidate Development Program, and the SES Mobility Program to confirm that we are on target and to identify opportunities for improvement. Like our SES Mobility Program, we want to remain flexible and vigilant for new opportunities to address the Agency's evolving workforce needs.

Again, thank you for this opportunity to address you today. I would be pleased to answer any questions you might have.

Mrs. DAVIS OF VIRGINIA. Thank you, Mr. O'Connor.

Ms. Novak, we are going to try and get your statement in. We have three votes right now, and we probably have about 12 minutes before we have to be over there.

Ms. NOVAK. Let me see if I can shorten this up.

Mrs. DAVIS OF VIRGINIA. If you could do a quick summary, it would be great, and then we will come back after the three votes.

Ms. NOVAK. Let me just say good afternoon, and I am Vicki Novak from NASA, and I am the Chief Human Capital Officer there. I am very pleased to be here today, and would just like to take a quick opportunity to express our appreciation for the cooperation that NASA has received from this committee, as well as from the House Science and Senate Governmental Affairs Committees on the human capital legislation that we are seeking. We are remaining optimistic on that.

Mrs. DAVIS OF VIRGINIA. We are too.

Ms. NOVAK. Good.

Our Administrator, Sean O'Keefe, has testified on a number of occasions, particularly in hearings related to the NASA human capital legislative provisions. Our agency faces a number of internal and external challenges to our ability to manage our human capital. Some of these, such as the aging work force, the wave of pending retirements, and skills imbalances, we share with many other agencies. We do feel that our challenge is exacerbated some because we have primarily scientists and engineers at our agency, approximately 60 percent of our work force, and we are competing for scientist and engineering talent in a labor market that faces declining numbers of young folks graduating from college with science and engineering degrees, while the demand for such talent in the public and the private sector is increasing significantly. We have many different programs and initiatives at NASA to help us manage our human capital more strategically. They are in the written testimony, so rather than go into any of those, let me skip to some comments that I would like to make directly related to leadership development and succession planning.

To ensure that we have a well developed leadership pool for the future, and to respond to our demographics, our leadership has made leadership development and succession planning a very high priority, and we are very committed to doing this well. Our leadership strategy is aligned with the President's management agenda, our NASA strategic plan, and it is the foundation of our agency's Strategic Human Capital Plan. It starts with recruiting people who demonstrate the values and the qualities that we want, and then, in a very deliberate kind of way, training and developing them so that they will be able to step into our future leadership positions.

We have a leadership model that is pivotal in our succession planning strategy, and it is actually the umbrella for our leadership development programs; it was developed internally after talking to over 600 NASA managers and senior leaders about what it is that we really need in the agency for the future, as well as for today, and it identifies competencies that we need as well as it guides the developmental programs that we have in place today and are planning for the future.

To ensure that our folks, our employees are trained in a consistent manner, we have formal leadership development programs. We have a fellowship program that provides opportunities for our best and brightest employees to go to well recognized colleges and universities and Federal training institutions; we have a leadership development program that targets mid-level employees for future leadership opportunities; and we have a very robust Senior Executive Candidate Development Program which I would like to mention we have had five classes. We have selected over 200 people who have gone through the program, and about 73 percent of those who have graduated have been selected into SES positions at NASA, approximately 50 percent of which have been women and minorities. So we are very proud of that program. We are getting ready to announce another one, and we are also going to be partnering with OPM on their program.

We have a number of informal succession planning and leadership development programs as well. We put great focus on coaching and mentoring; we have done a number of things in that area recently which are contained in my testimony to enhance that. We also are spending a lot of time and effort on knowledge sharing so that we can make sure that we capture our best practices, both the good things we do as well as those areas where we have had problems; we are going to learn from those and make sure that they are incorporated in a big way into our leadership development programs.

Let me stop at that. I know I am rushing a bit, but I would like to give my colleague a chance.

[The prepared statement of Ms. Novak follows:]

Statement of

Vicki A. Novak
Assistant Administrator for Human Capital and Chief Human Capital Officer

Before the

Subcommittee on Civil Service and Agency Organization
Committee on Government Reform
House of Representatives
October 1, 2003

I am pleased to appear before the Subcommittee today to discuss the programs and initiatives NASA has undertaken to address the Agency's human capital challenges, with a focus on those related to leadership and succession planning.

THE PROBLEM

NASA's history is marked by an impressive array of discoveries and advancements that have inspired and touched the lives of all Americans. None of those achievements, however, happened by chance. They were the result of management innovation, revolutionary technologies, solid science and research – and the combined skills, talents, and intellectual capabilities of the NASA workforce. As a premier research and development organization, we know that maintaining our proud tradition depends on our ability to attract, retain, and develop the best talent America has to offer.

As NASA Administrator Sean O'Keefe has stated before this and other Committees, the Agency faces a number of internal and external challenges in our ability to manage our human capital effectively and efficiently. Currently, more than twice as many NASA employees are over the age of 60 as are under the age of 30. With respect to the Agency's science and engineering (S&E) workforce, the ratio is closer to 3 to 1. One quarter of the current workforce will be eligible for retirement by 2007 and nearly half of all the current senior executives (SES) will be retirement-eligible by that time. These kinds of statistics are not unique to NASA; however, NASA's workforce challenge is exacerbated by the fact that S&E's make up approximately 60 percent of our workforce. NASA must compete for scientific, technical, and professional personnel in a labor market that faces significant declining numbers of scientific and engineering graduates and increased demand for these disciplines from the private sector. The Agency also requires a highly competent, skilled staff to support NASA's technical programs and address the Agency's financial, acquisition, and business management challenges.

SOLUTIONS

The Administration has made strategic management of human capital a top priority. Administrator O'Keefe and NASA senior leadership recognize the vital importance of a strong, highly skilled workforce to successful achievement of the Agency's mission.

Responsibility and accountability for effectively managing NASA's human capital resource are shared throughout all levels of the Agency. Strategic human capital management is everyone's business.

Strategic Human Capital Plan

A year and a half ago, NASA embarked on the development of a Strategic Human Capital Plan (SHCP). While the Agency had many human capital-related programs in place, senior leadership recognized that a more integrated, systematic, Agency-wide approach to human capital management was needed. NASA's human capital strategies are now integrated into and linked to NASA's mission, vision, core values, goals, and objectives through the SHCP and accompanying Strategic Human Capital Implementation Plan (SHCIP). These documents were developed not by the Agency human resources community but by a team of senior NASA managers, endorsed by Agency management, and approved by the Administrator.

As a basis for the Strategic Human Capital Plan, NASA embraced the Office of Management and Budget's PMA Human Capital Scorecard, the Office of Personnel Management's Standards for Success, and the General Accounting Office's Human Capital Self-Assessment Checklist. Using these as guides, an assessment was made of the Agency's human capital strengths and weaknesses. The resulting SHCP and SHCIP are structured around 5 Pillars: Strategic Alignment, Strategic Competencies, Learning, Performance Culture, and Leadership – with Leadership forming the foundation for all the others. Each pillar is aligned with specific goals, strategies, and improvement initiatives. Together, the SHCP and SHCIP provide a roadmap for specific actions and initiatives to ensure NASA has the right workforce today and for the future. They have been posted on the Web, hard copies have been provided to all Agency supervisors, and a tri-fold summary has been distributed to all employees. We have also been pleased to share our experience in developing NASA's Strategic Human Capital Plan, as well as copies of the SHCP itself, with several other Federal agencies.

Improvement initiatives identified in the SHCP include: developing and implementing an Agency-wide, integrated workforce planning and analysis capability, including an Agency competency management system; increasing the utilization of flexibilities and tools to ensure a highly skilled, diverse, and productive workforce; ensuring that training and development programs build on needed competencies, including more effective incorporation of knowledge sharing and mentoring in the development of employees; and ensuring that an integrated, strategic training and development program builds needed Agency leadership competencies. Our efforts are transforming the way we do business and we will continue to enhance and refine our human capital systems and programs in the coming years.

Enhanced Workforce Planning and Analysis and Competency Management System

Ensuring that you have state-of-the-art competence 10 years from now in areas you don't even know about today is a challenge. To help NASA meet this challenge, we have

greatly improved our workforce planning tools and made them available via the web to managers and analysts at NASA Centers and in the Enterprises. For each organizational, occupational, and demographic segment of the workforce, we provide data on hiring, attrition, and on-board strength going back 5 years. Planners have attrition forecasts for the coming 5 years for all job and employee types.

Our new competency management system (CMS) – an important element of our enhanced workforce planning and analysis capability – identifies, manages, and reports the competency strengths and needs of the Agency. Prior to CMS implementation, NASA Centers identified competency needs on a Center or organizational basis, using locally descriptive definitions. With CMS, we now use a common set of definitions that feed an Agency-wide competency dictionary and an inventory of current workforce competencies. The system enables us to compare competency demands with the current knowledge base, assess competency strengths and weaknesses, and identify "at risk" competencies on an Agency basis. We can then use this information to drive recruitment, training, diversity, leadership, and succession planning. For example, competency assessments, along with other workforce planning data, have helped the Agency set priorities and target occupational areas for our corporate recruitment strategy.

Corporate Recruitment Strategy and Other Agency Initiatives

Programs such as NASA University Research Centers, the Undergraduate and Graduate Student Researchers Programs, and the Harriett G. Jenkins Pre-doctoral Fellowship Program help expand the number of students seeking degrees in science, technology, engineering, and mathematics (STEM) disciplines. These, along with NASA's equal opportunity programs, support the development of a diverse pool of individuals that possess the competencies NASA needs. The Science and Technology Scholarship Program, one of the legislative provisions currently being considered, would also enhance NASA's ability to draw from a pipeline of diverse talent.

NASA's Offices of Human Resources, Education, and Equal Opportunity are collaborating to connect these valuable programs to the Agency's recruitment efforts – most notably through NASA's new corporate recruitment strategy. The strategy is designed to augment our Center-based recruitment approach and leverage our Agency-wide resources to best effect. It features a 5-year action plan that: uses workforce analysis as a foundation for Agency-wide recruitment; targets critical workforce issues, such as diversity of the workforce and "at risk" competencies; strengthens our outreach to minorities and disabled persons and builds capacity by partnering with various organizations; and creates recruitment linkages between NASA's university research and education programs and Agency employment programs. We are now focused on stabilizing "at risk" competencies through targeted college and university recruiting. NASA managers were involved in developing the recruitment plan and are participating as recruiters and marketers at most recruiting events.

Our powerful automated hiring system, NASA STARS, enhances our ability to compete with private industry for top talent at college recruiting events. Students can apply on-

line, and their applications can be rated electronically in a matter of minutes, so that recruiters are able to make virtually "on-the-spot" offers at recruiting events. The system also includes an automatic e-mail notification feature to permit those interested in employment with NASA to learn about positions opening in areas of interest to them and we provide web sites for student employment and research opportunities.

Leadership Development and Succession Planning

To ensure that NASA has a well-developed leadership pool for the future, the Agency has made leadership development and succession planning a priority. NASA's approach is to attract and develop potential leaders who possess the competencies needed to meet future needs, who are aligned with our vision and mission, and who are focused on achieving results that matter to the American people. Seven explicit selection and performance criteria hold members of NASA's Senior Executive Service (SES) directly accountable for performance results and for effective management of human capital. The criteria call for high performance by NASA leaders in terms of the President's Management Agenda; the health of NASA; equal opportunity and diversity; collaboration; professional development; mission success; and fair and equitable, performance-based evaluation of employees. We select, promote, appraise, and reward senior executives based on these criteria. These requirements cascade down to non-SES supervisors and are being tailored and cascaded down to the rest of the workforce, thus ensuring that performance expectations for executives, supervisors, and employees are consistent, clearly communicated, and results-oriented.

NASA's leadership development strategy has been implemented around the seven SES performance criteria. In addition to bringing in talent from the private sector into mid- and high-level positions, when needed, current employees are strongly encouraged to develop leadership competencies and skills, with the support of their supervisors, from their initial entry into the NASA workforce and throughout their careers. This comprehensive approach and the multitude of educational and experiential opportunities enable NASA employees to develop the competencies needed to meet future Agency needs while simultaneously fulfilling their individual objectives and aligning with the Agency's strategic objectives.

NASA's leadership development and succession planning efforts cascade from an overall NASA Leadership Model, developed internally using input from over 600 NASA managers and senior leaders. The Leadership Model is also aligned to the NASA Strategic Plan, the SHCP, and the PMA objective to "develop talent and leadership." It ensures that our learning strategy for leadership and management development is integrated across the Agency, and it creates a framework for measurement and evaluation of the effectiveness of leadership development activities at the individual and organizational levels. The Leadership Model is comprised of six Performance Dimensions, which are families of competencies that represent measurable skills, knowledge or personal characteristics. These include Personal Effectiveness, Discipline Competency, Business Acumen, Working Internationally, Managing Information and Knowledge, and Leading and Managing Others. These six Performance Dimensions

guide the development of four levels of leaders – Influence, Managers/Supervisors, Senior, and Executives. The model also identifies training and development opportunities appropriate for achieving each competency.

The Leadership Model plays a pivotal role in NASA's succession planning strategy. It identifies the competencies that guide the curriculum of Agency-level leadership development programs. This approach ensures that NASA's current and future leaders are developed and trained in a consistent manner throughout the Agency. In addition to providing a consistent development strategy through the Leadership Model, NASA ensures systematic identification of the Agency's future leaders through the involvement and input from Agency and Center senior leaders on the priorities and needs of the Agency. This engages senior managers in the identification of future leaders and ensures the development of the right people at the right time.

NASA uses its leadership development programs as a succession planning tool so that the Agency's future leaders are equipped with needed leadership competencies in conjunction with their technical abilities. The following Agency leadership development programs develop potential and current leaders at grades 13 through Senior Executive Service (SES).

The NASA Fellowship Program targets GS 13 through SES. The Fellowship program is intended to provide "best in class" academic opportunities and aims to provide a means for top employees to gain leadership and management knowledge. The program offers a variety of academic opportunities to meet the different needs of leaders and employees. These opportunities vary greatly from one-week executive programs to year-long degree programs. A key value of a Fellowship is that it allows employees to be away from their daily Agency responsibilities and focus on learning.

NASA's Leadership Development Program (LDP) targets high performing leaders and focuses on developing both Agency-wide and government-wide understanding and perspectives. The LDP differs from the Fellowship Program in that the learning experiences are developmental – employees learn by doing. Developmental assignments occur over the course of a 12-month period in a variety of agency, governmental, or industry settings. The learning opportunities include developmental rotations, leadership workshops and coaching, training, executive briefings and benchmarking with outside leaders, and participation in an Agency-wide project examining programmatic and other change management issues that provide experience in realizing measurable results. Specifically, the NASA LDP is intended to prepare leaders for higher and broader roles and responsibilities upon completion of the program; to provide opportunities to obtain experiential understanding of Agency-wide, national, and global issues that impact NASA's mission and U.S. goals; to enhance understanding, effectiveness, and mobility across programs, projects, and Centers; to provide opportunities to participate and contribute while learning; and to create a culture of collaborative leaders who understand and focus on achieving valuable results that matter to the American people and to the world.

The NASA Senior Executive Service Candidate Development Program (SESCDP) offers individuals a structured approach to preparing for recurring openings in the SES. Designed to meet NASA's projected needs and management values as well as Office of Personnel Management Executive Core Qualifications, this program provides a series of intensive developmental experiences for people who are judged to have high potential for assuming executive responsibilities. These experiences, normally to be completed over a period of 12-18 months, include formal courses and seminars, work assignments, and individual mentoring from current SES members. These experiences are designed to build the leadership network of the SES corps and to develop leaders connected by personal relationships as well as by function and responsibility. These formal and informal relationships better unite the SES and serve to strengthen One NASA within the Agency.

In addition to the formal developmental aspects of NASA's succession planning strategy, we emphasize the need for more informal methods of leadership development. One such method is to increase broadening assignments to enable employees to collaborate and work in a One NASA way. For example, the SES Evaluation and Selection criteria place a renewed emphasis on professional development, mobility and collaboration and encourage NASA's current and future leaders to increase development opportunities at other NASA Centers and to work on ad-hoc Agency assignments.

NASA also ensures the development of future leaders by using coaching and mentoring as a means of transferring knowledge from experienced personnel to less experienced practitioners. We have recently identified coaching as a supervisory competency and have developed coaching and mentoring guides to enhance performance and to strengthen internal coaching capability of managers and supervisors.

Another aspect of NASA's succession planning strategy is a robust knowledge sharing initiative within the project practitioner community. NASA's Academy of Program and Project Leadership (APPL) aims to build and expand a knowledge sharing community of project practitioners within NASA and to capture and share lessons learned and best practices across all levels of project management proficiency. NASA partners with other government agencies, universities, and industry to share best practices and lessons learned through six knowledge sharing activities led by NASA's Academy of Program and Project Leadership—Leaders as Teachers and Mentors, Forum of Master Project Managers, Transfer Wisdom Workshops, Knowledge Sharing Workshops, the Project Management Shared Experiences Program, and *ASK Magazine*.

Leaders as Teachers and Mentors leverages the knowledge and experience of an identified set of current and retired Agency leaders and experts into a community of practice. The program gives formal recognition to leaders who give back to the Agency by sharing their expertise through guest lecturing, teaching, consulting, and mentoring.

The Forum of Master Project Managers is a unique opportunity for project managers from all NASA Centers and Enterprises to engage in face-to-face dialogue as they share knowledge across the Agency. At this program, project managers learn from fellow

practitioners invited to tell stories about their experiences working on high-profile projects. In addition, experts from other federal agencies, academia, and industry share their innovative approaches to project management.

Transfer Wisdom Workshops are one-day workshops hosted by individual Centers in which project managers and team members engage in discussions of stories written by top NASA project managers. The Knowledge Sharing Workshop is a follow-up to the Knowledge Sharing Workshop where Center practitioners continue to learn from veteran managers as they share their own experiences.

The Project Management Shared Experiences Program is an annual conference where NASA project managers, engineers, and scientists, as well as senior executives from industry and international agencies gather to share project management initiatives and approaches, as well as best practices and lessons learned.

ASK Magazine is a bi-monthly journal that shares knowledge about project management through storytelling. Stories by veteran project managers inside and outside the Agency capture the triumphs and challenges of all types of projects, sharing best practices and lessons learned in an engaging format.

All of NASA's formal and informal methods of leadership development combine to create an integrated, strategic approach to succession planning. The involvement and input from Agency and Center senior leaders ensures that leadership development aligns with the priorities and needs of the Agency. NASA practices the continual identification of high-potential candidates through the analysis of workforce demographics and critical competencies. A leadership pool for the future is established through participation in structured leadership development programs, such as Fellowship Programs, the LDP, and the SESCDP. Most importantly, NASA is already seeing the results of its integrated succession planning strategy, as the pool of leaders developed through Agency leadership development programs is contributing to the staffing of senior leadership positions.

The NASA human capital programs and initiatives I have discussed today are designed to propel NASA to the forefront of contemporary "employers of choice" and to address leadership and succession planning challenges the Agency faces. While individually they can be powerful tools to address the Agency's workforce challenges, it is in integrating them with each other and with the Agency's mission, goals, and objectives that we will achieve the best results. Our efforts to date have paid off. The results of the most recent Government-wide survey demonstrate that we are already a Federal leader: we rank first in over 50 percent of questions pertaining to employee satisfaction.

NASA's vision and mission are about knowledge and discovery. Ultimately, however, accomplishing the mission is about people. We strive to be One NASA, where the whole is greater than the sum of its parts, and where together we rise to the challenge of doing what has never been done before – as only NASA can.

Mrs. DAVIS OF VIRGINIA. I appreciate that, Ms. Novak, and I appreciate your being short, but we are going to have to wait for Mr. Campbell when we get back. If you all can wait, we will probably be gone 30 minutes. Is that OK with all the witnesses?

The committee will stand in recess.

[Recess.]

Mrs. DAVIS OF VIRGINIA. I want to thank you all for your patience. We had some very important votes to vote on, so it took us a little while.

Ms. Novak, we finished with you, so we will go on to Mr. Campbell. And I do really appreciate your patience for waiting, and we are anxious to hear what you have to say.

Mr. CAMPBELL. Thank you, Madam Chairwoman, Mr. Davis. It is really a pleasure for me to be here as a person who has been a Federal employee for 29 years, a member of the Senior Executive Service for 18, and holding down two appointed positions. At this point I am truly interested in what is going to happen with succession planning because I am much closer to the end of my career than the beginning.

My written testimony is submitted for the record, and I will keep my remarks rather abbreviated.

Our focus has been on establishing a process to ensure that work force and succession planning efforts take place at all organizational levels, with a clear delineation of roles and responsibilities. This is very difficult in an organization as large as the Department of Veterans Affairs. We deliver our services to our Nation's heros through our 162 medical centers, our more than 850 outpatient clinics, our 43 domiciliaries, 206 vet centers, 57 regional offices, and 120 national cemeteries. We are a very complex business.

A recent significant accomplishment for VA is the publication of our Strategic Human Capital Plan. This plan ensures that consistent and comprehensive work force and succession planning efforts are now taking place across VA. I would like to acknowledge the five human resource interns that are attending this hearing and are sitting in the back of the room. Our plan contains past and projected work force trends and present strategies to ensure that VA recruits, retains, and develops a quality and diverse work force. This lan is available to all of our employees on our VA Web site.

Between 1998 and 2002, VA's average total employment was 220,000 FTE. The average age of our employees is 47 years of age, and approximately 15 percent of those people who are eligible to retire during that time did so. The average age of our retirees was 62 years of age. We also had another 10 percent of our employees who left for reasons other than retirement. The average age of our new hires is 38 years old. VA's historic turnover has been relatively constant, and if historic turnover trends continue, the department may not be facing the human capital crisis that some in Federal Government may expect; however, I am not very sanguine about this.

We are concerned over our retirement eligibility figures. Let me share a few statistics with you. Retirement eligibility is rising precipitously. Today, 40,000 employees, or 18 percent of our work force, are eligible to retire. By 2007, that will jump to 80,000 employees, or 37 percent of our work force; and by 2010, 135,000 of

our employees, or 60 percent of our work force. Over 70 percent of VA's senior executives can retire by 2005, including myself.

If the turnover continues at these historic rates, the challenges ahead will be manageable. The potential for crisis does exist, however, if many employees retire in addition to those who have done so historically. Our plans address this worst case scenario. The VA Strategic Plan for 2003–2008 contains detailed objectives, performance targets, and outcome measurements focused on both immediate priorities, as well as long-term goals. VA is among the first of Federal agencies to institute the use of online entrance and exit surveys for newly appointed and separating employees. The data can be accessed at both the national and local levels to determine why employees choose VA and why they leave. Our first national summary is going to be published this month.

Today, October 1, 2003, VA will convert a significant portion of its work force from the current pass/fail system to a five-tier performance system. This new system addresses the President's management agenda requirement to differentiate between high and low performers.

VA has placed a major emphasis on recruitment and marketing initiatives. We have redesigned our job information Web site to make it more user-friendly and interactive. We have developed brochures aimed at both college students and veterans promoting careers within the Department of Veterans Affairs. We are engaged in a concerted effort to increase VA's participation at college job fairs and are making targeted recruitment to address diversity as a key part of our planning process.

I am particularly proud of VA's accomplishments in the area of leadership development and diversity. VA has instituted a national Senior Executive Service Candidate Development Program after a period of many years since the last one. We have initiated programs to educate managers and employees on the importance of diversity management and how to analyze and build effective diversity strategies.

The Secretary's Task Force on the Employment and Advancement of Women in the Department of Veterans Affairs recently completed its report, and the Secretary has approved the committee's recommendations that include a comprehensive plan to increase the number of women in leadership positions.

In summary, I am proud of VA's achievements. We have enhanced coordination and collaboration, and the sharing of best practices within the entire Department of Veterans Affairs. VA faces an extremely high retirement eligibility over the next few years. We must prepare for the possibility of higher rates of turnover in mission-critical occupations. If these rates increase significantly, we will need the capability to hire quickly and at competitive pay rates, and as part of that, one of the first efforts we have made, is a legislative proposal on physician pay that we have sent up to the Hill. We must address the question of whether the current hiring and pay systems in the Federal Government provide the flexibility needed to compete in today's job environment.

Thank you very much.

[The prepared statement of Mr. Campbell follows:]

TESTIMONY OF WILLIAM H. CAMPBELL
ACTING ASSISTANT SECRETARY FOR
HUMAN RESOURCES AND ADMINISTRATION
BEFORE THE SUBCOMMITEE ON CIVIL SERVICE
AND AGENCY ORGANIZATION
HOUSE COMMITTEE ON GOVERNMENT REFORM
HEARING ON HUMAN CAPITAL SUCCESSION PLANNING
OCTOBER 1, 2003

INTRODUCTION

Good afternoon and thank you for the opportunity to appear before your subcommittee today. I am accompanied by Mel Sessa, Director of Workforce Planning.

The Department of Veterans Affairs (VA), like other Federal Departments, faces many challenges in human capital management. I am pleased to report that VA has developed many excellent initiatives to address these challenges that I will describe today. Consistent and comprehensive workforce and succession planning efforts are now taking place in our three main Administrations - the Veterans Health Administration, the Veterans Benefits Administration, the National Cemetery Administration, as well as VA Headquarters. As VA's Acting Chief Human Capital Officer (CHCO), I also interact with the CHCO's at other agencies and the Office of Personnel Management to address the broader workforce challenges facing the Government.

OVERVIEW

One significant recent VA accomplishment is the publication of VA's first national Strategic Human Capital Plan. This plan presents an overview of past and projected workforce trends; summaries of workforce plans developed by each Administration and VA Headquarters organizational components; and strategies to ensure that VA recruits, retains, and develops a quality and diverse workforce to serve veterans.

I would like to share data from the workforce analysis portions of the Human Capital Plan based on past retirement and turnover trends. Between 1998 and 2002,

- VA employed approximately 220,000 employees per year.
- VA's employee population grew by less than one percent.
- Less than two percent of the VA population took voluntary retirements.
- Approximately 15 percent of those eligible to retire did retire.
- The average age of voluntary retirees was 62 years.
- Approximately 10 percent of employees left for other than retirement reasons.

- The average age of new hires was 38 years

We have also looked at workforce projections through Fiscal Year 2007:

- 36 percent of the workforce will be eligible for regular retirement by 2007.
- VA estimates that 15 percent of those eligible, or 5 percent of the workforce, will actually retire.

VA faces potential gaps in its leadership ranks and the traditional feeder pool for leadership positions. Approximately 70 percent of VA's senior executives can retire by September 30, 2005. If historical trends continue, we are projecting the following retirements through Fiscal Year 2007:

- 37 percent of senior executives
- 21 percent of GS-15's
- 26 percent of GS-14's
- 22 percent of GS-13's

VA has made diversity a major component in its succession planning efforts and development of future leaders. While VA has excellent diversity overall, diversity at the senior executive level is in need of improvement. To address this gap, VA has instituted a number of outstanding leadership development programs at all organizational levels. These programs are producing a highly diversified and talented cadre of potential leaders for the future.

Data in VA's Human Capital Plan indicates that, while VA has an older workforce, the Department may not be facing the "human capital crisis" that some in the Federal government expect. This observation is based on trends over the past five years indicating that a small percentage of the employee population is actually retiring. As previously noted, employees are generally working several years beyond the date when they are eligible to retire. VA's historic turnover rates have been stable and manageable.

Historic data must be weighed against workforce projections. One of VA's major concerns is the "potential" for high turnover during the coming months and years. VA already has a large number of "retirement eligibles." At present, approximately 40,000 employees or 18% of the workforce can retire. The number of retirement eligibles doubles to 80,000 employees or 37% of the workforce by 2007. By 2010, 135,000 employees or 60% of the VA workforce can retire. If turnover continues at the historic rates, the challenges ahead will be difficult but manageable. If large numbers of retirement eligibles decide to leave, coupled with other turnover, the potential for a crisis exists. Our workforce and succession planning efforts are designed, in large part, to address the "worst case scenario."

The VA Strategic Human Capital Plan, and individual Administration and staff office plans, list multiple initiatives being implemented to address our workforce challenges. Our overarching goals fall into the following categories:

- Attracting and recruiting high-caliber employees in a timely manner;
- Retaining high-caliber employees in mission-critical occupations;
- Developing future leaders;
- Building competencies and career growth opportunities;
- Preserving institutional knowledge; and
- Diversifying the workforce, particularly in leadership positions.

The following paragraphs describe some of VA's key initiatives at both the Departmental and Administration levels.

DEPARTMENTAL INITIATIVES

In July 2003, VA published the VA Strategic Plan for 2003 – 2008. This plan establishes detailed performance objectives, performance targets, and outcome measurements focused on both immediate priorities and long-term goals. The Strategic Plan also addresses the President's Management Agenda and defines the key strategies the Department will implement to meet the President's goals and objectives. The Strategic Plan provides the foundation on which our workforce and succession planning efforts are built.

VA is among the first Departments to institute the use of on-line entrance and exit surveys for newly appointed and separating employees. Survey results are available electronically at the national and facility levels. Results can be sorted by organization, occupation, age categories, and many other selective components. The first national summary of data will be published in October 2003 via the Office of Human Resources Management web site.

On October 1, 2003, VA is converting from the current pass/fail rating system to a five-tier performance rating system. This new system addresses the President's Management Agenda requirement to differentiate between high and low performers through appropriate incentives and awards. As part of this effort, VA will publish education and training materials by the end of September 2003 for rollout and presentation to VA supervisors and employees during the months of October and November 2003. All employees will be rated under the new system for the rating period ending on September 30, 2004.

VA has also placed a major emphasis on recruitment and marketing initiatives. As part of this effort, we redesigned our job information web site to make it more user-friendly and attractive to prospective employees. We have also developed brochures aimed at college students and veterans promoting careers in VA. We are also engaged in a concerted effort to increase VA

participation at college job fairs throughout the country, and are making targeted recruitment to address diversity a key part of our planning process.

VA has made great strides in the area of leadership development. Because of the high retirement eligibility in our leadership ranks, VA has instituted a national Senior Executive Service Candidate Development Program and leadership development programs at all organizational levels, with a strong emphasis on diversity in selecting individuals for these programs.

VA has placed a major emphasis on educating managers and employees on the importance of diversity management, how to conduct and utilize diversity management analyses, and how to build effective diversity strategies. We have accomplished these goals through training videos and use of the VA Knowledge Network. VA also produces a monthly "Diversity News" video highlighting diversity initiatives.

In October 2002, the Secretary established a "Task Force on the Employment and Advancement of Women in the Department of Veterans Affairs." The task force was charged with developing a comprehensive plan that would correct the imbalances in the employment and advancement of women in VA at the GS-13 and above grade levels. The task force submitted its report to the Secretary, who approved its recommendations addressing three strategic goals. The goals are to: (1) increase internal and external recruitment and retention programs designed to attract and promote women; (2) develop and enhance education and training programs designed to advance women; and (3) foster a corporate culture that proactively integrates women into GS-13, GS-14, GS-15, and Senior Executive Service positions.

ADMINISTRATION INITIATIVES

Each of VA's Administrations has placed a major focus on workforce and succession planning.

VETERANS HEALTH ADMINISTRATION

The Veterans Health Administration (VHA) has established a Succession Planning Committee that reports to its National Leadership Board. VHA has established a national office for all employee development, workforce analysis, and workforce succession strategic planning. A VHA Succession Planning web site is available to all VA employees. It provides information on national employee development initiatives and opportunities, as well as a library of human resources management authorities and procedures to enhance recruitment and retention for a quality workforce needed to accomplish the organization's mission.

VHA has successfully integrated workforce planning, workforce development, and diversity in the annual VHA strategic planning process to

institutionalize workforce and succession planning. Part of the analysis process is the administration of employee satisfaction and organizational climate surveys to identify workplace improvement and retention issues and take appropriate corrective actions. Another component includes the development of a national database for succession and workforce planning. High potential employees participating in leadership development programs are placed into the database. Their personal development plan and career history are tracked.

VHA has a broad leadership development continuum based on its High Performance Development Model (HPDM). High performing employees generate a high performing organization. The continuum of programs includes: Technical Career Field Internships; New Employee Orientation; HPDM Awareness; Graduate Health Administration Training Program; Local Leadership Development Programs; Veterans Integrated Service Network (VISN) Level Leadership Development Programs; Supervisory Training; Nurse Manager Training; Service Line Manager/Service Chief Orientation; Executive Career Field Leadership Training for senior executives and senior managers; and Executive Career Field Leadership training for aspiring high potentials.

VHA is actively implementing a national workforce development and succession planning communication plan for all employees in the administration. The goal of the communication plan is to bring forth awareness and understanding of workforce planning and development initiatives and how it benefits every employee.

VETERANS BENEFITS ADMINISTRATION

The Veterans Benefits Administration (VBA) has taken a number of steps to maintain service levels and address the inevitable loss of expertise through retirements. Recruitment and retention initiatives have resulted in the recent hire of more than 2000 new employees who are being trained by experienced senior employees to address the claims backlog. Other initiatives include the development and implementation of state-of-the-art computerized training for skills development in all of our benefits programs, and establishing field-based training coordinator positions to ensure progress of employees against their training goals. In addition, VBA has created a recruitment website and has developed an extensive recruitment guide, pamphlets, and video training to assist in the recruitment of a diverse workforce that will provide high quality service to veterans and their families today and in the future.

VBA has implemented a multi-tiered nationwide approach to leadership development. A major focus is on diversity in selecting applicants for these programs to develop future leaders at all organizational levels. The pyramid of programs and courses includes: New Employee Orientation; the Leadership Enhancement and Development Program for high potentials in our feeder pool of employees GS-9 through GS-12; the Assistant Director Development Program;

Mid-level/Division Level Leadership Training; Local Leadership Development Programs; Technical Training Programs/Courses in all Business Lines; Instructor Development Training; and the Senior Executive Service Candidate Development Program for outstanding executive potentials.

VBA has established a workforce and succession planning committee with membership from all Benefits programs and staff offices charged with communicating, monitoring, and updating the initiatives included in the Administration's Workforce Plan.. VBA is currently developing a 3 to 5 year national strategic plan which will address the needs of our customers, stakeholders, and employees and result in a high performing organization. Workforce planning, development and diversity are being integrated into the plan.

NATIONAL CEMETERY ADMINISTRATION

The National Cemetery Administration (NCA) has established a Workforce Planning Council with both field and central office representation. The primary purpose of this council is to identify initiatives that will ensure a sufficient, effective, and prepared future workforce.

NCA recruitment initiatives focus on efforts to attract new federal employees by enhancing our outreach efforts. An example is NCA's participation in job fairs. Recruitment announcements are consistently sent to veterans groups, diversity groups, and Veterans Rehabilitation and Education Program offices. Cemetery Directors have been provided tools and education to help them take a more active role in recruitment efforts focusing on enhancement of underrepresented groups and separating military personnel. NCA has hired four Presidential Management Interns and actively participates in special focus intern programs such as Hispanic Colleges and Universities (HACU) and Historically Black Colleges and Universities (HBCU). This year alone, NCA supported over 10 interns through these programs.

NCA is implementing a major new approach to employee training. A training center will be established at one of our major national cemeteries and is scheduled to begin operations in March 2004. This center will coordinate the training of key cemetery employees entering NCA, and identify and prepare existing employees for higher levels of responsibilities. Primary focus will be on the Cemetery Director Intern Program and other key positions such as foreman, cemetery representatives, and cemetery program assistants.

SUMMARY

In summary, I am proud of VA's achievements and the efforts taking place at all organizational levels. However, there is still much to do. As mentioned in my earlier testimony, VA faces extremely high "retirement eligibility" over the next few years. VA is committed to providing the highest quality of service to America's veterans. We must, as part of our workforce and succession planning efforts, prepare for the possibility of higher rates of turnover in mission-critical occupations. Should turnover rates increase significantly, we will need the capability to hire quickly at competitive pay rates. This problem is not unique to VA but rather a problem that most, if not all, Federal agencies will face in the future. We must collectively address the question of whether the current hiring and pay systems in the Federal Government provide the level of flexibility needed to compete in today's job environment. While VA will continue to educate its managers and use all current flexibilities at its disposal, the broader issue of potential reforms to the hiring and pay process must be addressed at the Government-wide level.

This concludes my prepared statement. My colleague and I will be pleased to respond to any questions from the subcommittee.

Mrs. DAVIS OF VIRGINIA. Thank you, Mr. Campbell.

I want to thank all three of you again. I can't say enough how much I appreciate your patience.

And I am going to yield now to our ranking member, Mr. Davis, for questions.

Mr. DAVIS OF ILLINOIS. Thank you very much, Madam Chairwoman.

Let me ask each of you how much interaction is there between your agency and the Office of Personnel Management relative to succession planning and/or planning for diversification. Each of you indicated that you had your own program activities going.

Mr. O'CONNOR. I will be happy to answer your question first, Mr. Davis. We have actually, in the last few years, been pleased, perhaps more pleased than we had been before, about our interaction with OPM, particularly as we developed and designed our Candidate Development Program and our, what I consider very successful, EPA Interim Program class. Our staff has spent quite a bit of time there; we have actually sent some of our staff on detail to OPM and have had quite a bit of interaction, and I know that our folks in our human resource office are very pleased with the interaction that we have had with them.

Mr. DAVIS OF ILLINOIS. So you worked jointly on goals, objectives, and approaches?

Mr. O'CONNOR. We have, indeed. And my boss, who couldn't be here today, himself has been over to OPM with folks over there on a number of issues, and would also tell you that he is very pleased with the interaction that we have been experiencing.

Ms. NOVAK. If I may, I would like to say that we at NASA are enjoying a very good relationship with OPM in terms of our Leadership Development Programs. When we need their help, they are there to help us. We do some things independently, but now there is a much closer scrutiny and look at what we are doing in this area as a result of the President's management agenda in this Human Capital Scorecards. Leadership development is one of the five pillars and main areas that OPM is focusing on when it evaluates agencies, so that makes us all a little more attentive to it, I think, and causes us to interface more often.

Mr. CAMPBELL. Likewise, we at VA enjoy a very good relationship with the Office of Personnel Management. We have used some of their criteria in developing our plans. I am the chief human capital officer for VA, and I have not yet had an opportunity to attend more than one of the chief human capital officer meetings, but it looks like a very good venue to get not only productive discussions with OPM, but with the other large agencies also, to find out what everybody is doing, what is working and what is not working; kind of use somebody else's effort to see if something is worthwhile doing or not.

Mr. DAVIS OF ILLINOIS. Now, they have their Candidate Development Program. Each one of you has your own Candidate Development Program. What I am trying to determine is how significant would the difference be, or would the goals be the same, in terms of the individual agency programs, as well as the program that has been developed by OPM. And maybe you wouldn't be able to know that.

Mr. O'CONNOR. I think the first thing I would say is we put our program in place before theirs was in place. I think as all agencies, ours is open to employees at other agencies to apply to, and we did have a fair response from other agencies.

I guess I am not all that familiar with OPM's program, the details of it, but I suspect that there will probably be more interaction and activity among Federal agencies of the candidates in that program, perhaps, than in our own. We do provide some opportunities to go outside the agency, but I suspect if we looked at OPM's program, there are probably more of those types of opportunities.

Ms. NOVAK. My understanding is that OPM is rolling this out almost as we speak, and I think there are more details to come. We have certainly told them that we were anxious to participate, but we will continue to run our own program. But I believe that there will be more governmentwide participation in their program than we typically see in our NASA program, for instance.

Mr. CAMPBELL. Two or 3 weeks ago members of the Office of Personnel Management staff came and briefed me on their program, trying to see if there was interested within the Department of Veterans Affairs. I would say that they are complimentary. I would look at their program as an adjunct to ours. The Government is not monolithic, it is different everywhere you go, and I think for the smaller agencies, of which there are many that cannot afford to have their own programs, I think the OPM program is going to be a lifeline. For somebody like us, where we have large benefit offices that are headed by senior executives and we have large health care delivery systems of many hospitals, let us say between 4 and 10 medical centers, I think that we would try to key in on people that we knew were going to be successful in those jobs. So I would think that, at VA, we would use theirs as an adjunct, maybe for areas like finance, human resources, and general administration, and try to concentrate on our core business with our own program.

Mr. DAVIS OF ILLINOIS. I will try and get more into that with them, because I would assume that their program is more focused on development for succession as well as diversity. And I don't know whether or not there is more emphasis on diversity in their program than there might be on the programs that you already have going. I could see that being a difference that might exist between the two.

Mr. CAMPBELL. Mr. Davis, I don't know what their program is going to do, but of the 15 participants, we limited it to a small number to begin with because we wanted to keep the quality of our program up; and several of the candidates that we have are very well qualified to be SES at present, and three have already been selected for SES positions before finishing, all three women, one Hispanic and two majority females. We have 15 participants; 53 percent are female, 13 percent are African-American, and 27 percent are Hispanic. So we have really tried to look at having a more diverse work force. I can't speak for OPM's program.

Mr. DAVIS OF ILLINOIS. OK. Let me just ask one additional question, and that is you heard the discussion that we just had with the last panel relative to whether or not the structure of the Federal Government would lend itself to some of the leadership devel-

opment ideas that were articulated especially relative to what goes on or what is going on in private industry. Do you see any impediments to leadership development because of this structure? And what I am really getting at is kind of where we end it off, talking about the line that exists between the responsibilities, let us say, of political appointees and members of the SES corps. I am saying kind of like where do you stop, or is there a stopping place? And if that in some ways may prevent or could prevent certain kinds of visionary long-range planning and development activity to occur, because it certainly could be aborted, it could certainly be stifled. I mean, I could certainly see the possibility of it not being supported when the next change comes, and that kind of thing. That is where I am really going.

Mr. O'CONNOR. I guess since my boss is a political appointee, I will be very careful in how I answer the question, Mr. Davis, if I could. I think it probably cuts both ways to some extent, depending on the individuals. Sometimes there is a lot of inertia amongst the career people that can be broken through by the change of political appointees, and there are instances in EPA's recent past where we have made some aggressive steps because of direction from the political appointees. On the other hand, there are often the frustrations of launching a program, only to have a new political team come in and want to put their own look on it, and having to abandon it and be set back. So I think it can cut both ways.

Ms. NOVAK. I would like to say that one of the things that Mr. Gandossy said was that top executive leadership and commitment is critical to this whole discussion. For instance, in our situation at NASA, we have a political leader as well, but what we are trying to do there is to institutionalize some things so that all of this will live well beyond his days at NASA; and I think that is very, very possible to do. I mean, it doesn't just end with top management, we have to make sure that folks at all levels in management are committed to this, more diversity in the senior leadership ranks; and then the politicals can come and go, and I think good things will continue to happen.

Mr. DAVIS OF ILLINOIS. I guess I could see it going either way, depending upon the players. I mean, certainly I can see the person who gets appointed to one of these saying I really only intend to be here for 4 years or 3 years, depending on how long it takes to be confirmed, and I am going to try to make my mark during this period; I mean, I have only got 2 years, I am going back wherever I came from, and I am going to try and put a stamp on this while I am here. So, yes, I guess it can go either way.

Thank you very much, Madam Chairwoman. I am finished.

Mrs. DAVIS OF VIRGINIA. Thank you, Mr. Davis.

Ms. Novak, NASA Langley Research Center is in my district, and I hear from them quite often that there is a real concern out there about aging talent and that the organization is not investing in its future. And earlier this year, GAO reported that NASA's work force profile, particularly for scientists and engineers, points to the need for effective succession planning, and I guess my question is has the agency made any progress in identifying its critical skills and competencies that are at risk across the agency? I mean, are we in dire straits? I hear that from my constituents a lot.

Ms. NOVAK. I don't believe we are in dire straits, but clearly we need to be very aggressive and proactive about what we are doing. About a year and a half ago, recognizing that the demographics did not look good, we developed—and it has taken us a while, but we have it—a competency management system and some work force planning and analysis tools that we didn't have before, which have in fact given us the capability, for the first time at an agency level, as well as going down to the center levels, to identify competencies where we either are at risk or gaps. We look at attrition models and we see where large numbers of folks are retirement eligible or we predict will be going in the future, and what we are doing now is we are targeting training and development programs, as well as recruitment programs around those areas that we have developed. For instance, systems engineering, human factors engineering, business management is another one; but we are trying to integrate this and tie it all together so that we have a plan that makes sense and we are going after the right people in terms of developing and we are instituting the right kinds of programs. So I don't see it as badly as some of your constituents.

Mrs. DAVIS OF VIRGINIA. I think the ones that I have spoken to, and a lot of my friends work out at NASA Langley, and there is a big concern that they could end up being privatized or something of that nature because you just don't have the skills, you don't have the people in there. I would like to be able to tell them they are OK, but I don't know that I can right now.

Ms. NOVAK. I think that the situation is much better now than it was several years ago, and we are in a very deliberate kind of way stepping back and looking at our attrition models and our work force analysis tools that we have that we didn't have before, and trying to come in a preemptive kind of way avoid the kind of thing that they are concerned is going to happen.

Mrs. DAVIS OF VIRGINIA. Because, quite frankly, you walk out to NASA Langley and there is a lot of gray bearded guys out there.

Ms. NOVAK. I know. I know a lot of them.

Mrs. DAVIS OF VIRGINIA. The women aren't gray haired because we can get ours in a bottle.

But there is some concern, so I would certainly hope we are taking a good close look at scientists, especially. That is not something that I would want to be outsourcing our scientists; that would make me a little bit nervous.

Mr. O'Connor, I have heard great things about EPA. I know you started out red and are now up to yellow and doing great, and GAO has said some good things about what you all are doing, and I hope you will continue on the right track.

And Mr. Campbell, I have an area of concerns of yours as well. I have a lot of veterans in my district, 100,000 or so. Just a couple. And healthcare is one of their big issues, as we all know, and I noticed that there is a possible shortage of nurses and something that you may have a little problem with. Has the nursing shortage adversely affected you all to this date? And if so, what steps are you using to address it?

Mr. CAMPBELL. Well, the nursing shortage is a national nursing shortage, and it is far greater than VA. And I would not want to leave you the impression that everything is fine with us; it has

been manageable so far, but there are some real structural problems in the nursing profession that make it very difficult to attract and keep people; it is a very high stress profession. We have many opportunities for nurses, even nurse executives that are paid at the executive level, with VA, and we would hope that we can get nurses who no longer want to be caregivers into other professions. As a matter of fact, the Veterans Health Administration has an executive career field, and it is targeted for key leaders below the senior executive level such as chiefs of staff at medical centers, associate directors, and nurse executives. We have just selected people for our third class. The demographics for that class, we have 138 participants; 61 percent are female, 13 percent are African-American, 3 percent are Hispanic, and 5 percent are Asian-American. So we are trying not only to fill these key medical delivery positions, but we also have other areas.

A few years ago we had the national performance review, and it targeted four series, four disciplines: accounting and finance, procurement and contracting, EEO, and human resources. And because of that we had a hemorrhaging of our senior talent; many people took early retirements and buyouts, some others just chose to retire because they were eligible, and young people chose not to come into those fields because they looked like they were not going to be around for their career. And so we have huge problems. When you are trying to hire people, your human resource staff is the one that you go to for help, and that was, quite frankly, decimated. Then you look at the ages. I don't know about the age for human resource staffs, but I know in other areas like financial management, 83 percent of our senior financial mangers, GS–13 and above, will be eligible to retire in 2005. All of them won't retire, but even if a significant number do, we have a real problem.

Mrs. DAVIS OF VIRGINIA. What steps are you taking there? Because that is a real problem, 83 percent.

Mr. CAMPBELL. We have the same problem in some of our other business areas. We are trying to live within the work force that we believe we can get. We are fortunate in that we have a lot of redundancy. Each medical center has its own accounting staff and does its own bill paying and does its own contracting, and Secretary Principi, this summer, approved a reorganization of those contracting, accounting and finance, and logistics so that we can live within what we think will be a smaller work force that will come to us. The chief financial officers for our Veterans Integrated Service Networks have been complaining almost non-stop; they can't hire people on a one-for-one basis, we just cannot attract enough people.

So in this case we are fortunate that we believe that we can reorganize for that, but I don't know what we are going to do in the area of health care providers, because you can't automate health care.

Mrs. DAVIS OF VIRGINIA. Well, you not only have the problem with the nurses; do you have the problem with physicians as well?

Mr. CAMPBELL. We have a turnover rate of almost 11 percent annually with doctors.

Mrs. DAVIS OF VIRGINIA. Now, are they leaving for higher pay or are they leaving because they don't like the conditions, or what?

Mr. CAMPBELL. That is the conventional wisdom. I don't know enough about the physicians and what they would get externally. I have been a Federal employee for 29 years, and I am not really that conversant. I know that my wife works for physicians, and they make a lot more than we pay. And although Title 38 gives us special pay for the physicians, and I think it is quite generous, obviously some of them don't.

Mrs. DAVIS OF VIRGINIA. Well, if it makes you feel any better, it is the same problem in the private sector; the physicians are dropping out like flies and dropping Medicare patients like flies.

Mr. CAMPBELL. But it is not universal. We find it in some specialities, and we have to contract out at what I think of as huge rates for specialty care, particularly things like cardiology.

Mrs. DAVIS OF VIRGINIA. Well, you certainly have your work cut out for you, because there is, of course, a shortage of nurses in the private sector, and with the veterans, the number of veterans that we have that are wanting the health care right now, and that is one of their biggest cries. And probably one of the biggest complaints that I hear in the district is that they wait a year for an appointment at the VA, at the medical center, and now with the conflicts that we have had here recently, we are going to have even more veterans coming in who are going to need health care, so I think your problem is going to be compounded more so than these two folks sitting with you at the table. And I hope you don't retire in the next year, because then we are going to have to train somebody else to come and do what you do.

Mr. CAMPBELL. I may not, but it won't be much longer than that.

Mrs. DAVIS OF VIRGINIA. Do you have anybody coming up behind you?

Mr. CAMPBELL. Yes, I do. I have been able to hire some younger people who are going to be around.

Mrs. DAVIS OF VIRGINIA. Well, I am pleased to hear. You are the one who said you had five interns in here?

Mr. CAMPBELL. Yes, ma'am.

Mrs. DAVIS OF VIRGINIA. Well, I don't want to keep you all any longer because already you are going to hit all the traffic. And we probably will have, I know I have more questions to ask you, and if I could submit them to you in writing and have you respond for the record; and other members of the committee may want to do that as well. So I would appreciate your prompt replies to them.

And, again, I would like to sit here; you guys are the ones I really wanted to talk to, and I really could sit here and talk to you for the rest of the evening, but I am sure you have other things to do.

Mr. O'CONNOR. We would enjoy that.

Mrs. DAVIS OF VIRGINIA. You might enjoy it; you might not.

Ms. NOVAK. We think we would.

Mrs. DAVIS OF VIRGINIA. I think you would.

But I certainly appreciate your jobs and what you are doing, and your willingness to come and testify today. My hat is off to you, and just make sure you protect America out there and get the right people in there working, and let the work force know how much we appreciate them. I think that is one of the biggest things, we just don't thank our Federal work force enough for the job that they do.

Ms. NOVAK. If I may just add, we have a new center director, Roy Bridges, down at the Langley Research Center. I don't know if you have had the chance to meet Roy yet.

Mrs. DAVIS OF VIRGINIA. I haven't had the opportunity to meet him, but I was just talking to my staff this week that we need to get it set up.

Ms. NOVAK. I will have a discussion with him and let him know that he needs to meet you and assure you and reassure the employees that everything is OK.

Mrs. DAVIS OF VIRGINIA. All right. Thank you so much.

And with that, the hearing is adjourned.

[Whereupon, at 4:48 p.m., the subcommittee was adjourned, to reconvene at the call of the Chair.]

[Additional information submitted for the hearing record follows:]

United States General Accounting Office
Washington, DC 20548

November 14, 2003

The Honorable Jo Ann Davis
Chairwoman
Subcommittee on Civil Service and Agency Organization
Committee on Government Reform
House of Representatives

Subject: *Posthearing Questions Related to Succession Planning and Management*

Dear Madam Chairwoman:

On October 1, I testified before your Subcommittee at a hearing entitled "Human Capital Succession Planning: How the Federal Government Can Get a Workforce to Achieve Results."[1] This letter responds to your request that I provide answers to follow-up questions from the hearing. Your questions, along with my responses, follow.

1. The GAO report discusses how agencies in other countries have used succession planning to address specific human capital challenges. What are some of these challenges and how have agencies abroad used their succession planning and management initiatives to meet them?

We reported that government agencies around the world are using succession planning and management to achieve a more diverse workforce, maintain their leadership capacity as senior executives retire, and increase the retention of high-potential staff.[2] 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. In addition, Canada uses its Accelerated Executive Development Program as a tool to help achieve a governmentwide diversity target. Specifically, the government has set a goal that by 2003, certain minorities will represent 20 percent of participants in all management development programs.

Succession planning and management can help agencies maintain leadership capacity. Both at home and abroad, a large percentage of senior executives will be

[1] U.S. General Accounting Office, *Human Capital: Succession Planning and Management Is Critical Driver of Organizational Transformation*, GAO-04-127T (Washington, D.C.: Oct. 1, 2003).
[2] 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).

eligible to retire over the next several years. In the United States, we reported that the federal government faces an estimated loss of more than half of the career Senior Executive Service by October 2007.[3] Canada is also using its Accelerated Executive Development Program to address impending retirements of assistant deputy ministers—one of the most senior executive-level positions in its civil service. For example, 76 percent of this group is over 50 and approximately 75 percent are eligible to retire between now and 2008.

To increase retention of high-potential staff, Canada's Office of the Auditor General uses succession planning and management. According to a senior human capital official, to provide an incentive for high-potential employees to stay with the organization, the office provided them comprehensive developmental opportunities in order to raise the "exit price" that competing employers would need to offer to lure them away.

2. Can you highlight some of the ways in which other countries have used succession planning and management to facilitate broader agency and government 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 to improve government services, and subsequently started restructuring the content of its leadership and management development programs to reflect this new emphasis on service delivery. Similarly, the Family Court of Australia's Leadership, Excellence, Achievement, Progression program is preparing future leaders who could help the organization successfully adapt to recent changes in how it delivers services. Specifically, the court considers this increased emphasis on the needs of external stakeholders when selecting and developing program participants.

3. Succession planning is sometimes thought of as simply a human capital issue, yet I noted in your report that some organizations have used it as a way to work past organizational boundaries and other barriers. Could you describe in greater detail some of the examples you have found in this regard?

Succession planning and management can help the organization become what it needs to be, rather than simply recreating the existing organization. In Canada, succession planning and management initiatives provide this broader perspective. Since 1997, as the basis for Ontario's governmentwide succession planning and management process, the head of each ministry is to develop a succession plan that (1) anticipates the ministry's needs over the next couple of years, (2) establishes a process to identify a pool of high-potential senior managers, and (3) links the selection of possible successors to both ministry and governmentwide opportunities and business plans. Similarly, the Royal Canadian Mounted Police's succession planning and management system provides it with an organizationwide picture of

[3] U.S. General Accounting Office, *Senior Executive Service: Enhanced Agency Efforts Needed to Improve Diversity as the Senior Corps Turns Over*, GAO-03-34 (Washington, D.C.: Jan. 17, 2003).

current and developing leadership capacity across the organization's many functional and geographic lines. It is responsible for a wide range of police functions on the federal, provincial, and local levels and provides services in 10 provinces and three territories.

4. We often hear about the importance of top leadership commitment to implementing management improvement initiatives. Can you describe some of the specific ways agency leaders demonstrated their commitment to succession planning and management initiatives in the agencies you studied?

In other governments and agencies, top leadership demonstrates its support of succession planning and management when it actively participates in these initiatives. For example, each year the Secretary of the Cabinet, Ontario's top civil servant, convenes and actively participates in a 2-day succession planning and management retreat with the heads of every government ministry to 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.

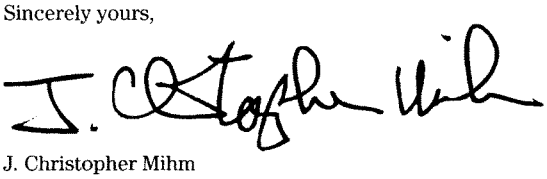
Top leadership also demonstrates its support of succession planning and management when it regularly uses these programs to develop, place, and promote individuals. The Royal Canadian Mounted Police's senior executive committee regularly uses the agency's succession planning and management programs when making such decisions of its top 500—600 officer and civilian employees.

Lastly, top leaders demonstrate support by ensuring that their agencies' succession planning and management initiatives receive sufficient funding and staff resources necessary to operate effectively and are maintained over time. For example, 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 for training and development, thus making resources available for the operation of the agency's four leadership and management development programs.

- - - - - -

For additional information on our work on federal agency transformation efforts and strategic human capital management, please contact me on (202) 512-6806 or at mihmj@gao.gov.

Sincerely yours,



J. Christopher Mihm
Director, Strategic Issues

(450282)

Q&As – Human Capital Succession Planning:
How the Federal Government Can Get a Workforce to Achieve Results
Subcommittee on Civil Service and Agency Organization
October 1, 2003

Has the Administration seen progress in the agencies on succession planning since including this as part of OMB's green-yellow-red rating system?

Under the leadership of Director Kay Coles James, the Office of Personnel Management (OPM) has seen demonstrated improvement in agencies' performance in strategic human capital management since the advent of the Executive Branch Management scoring system over 18 months ago. We believe agencies have seen the need to be forward-thinking and strategic about human capital management as we help them objectively assess their challenges and focus their efforts. Nearly every large agency now has a comprehensive human capital plan in place, linked to their strategic goals, against which they are executing, and tracking, their efforts. We have helped agencies move beyond the planning stages to implementing improvements in all key areas of human capital management - talent, leadership and performance culture.

To your knowledge, do agencies make good use of this information (OPM website)?

OPM recognizes that each agency is unique and must use tools that are appropriate to the achievement of its mission. We are pleased to be able to offer a variety of tools, models and best practices on our website. Given the significant improvement in number of agencies scoring 'green' in progress, we can only conclude that the agencies are using the information provided to them on our website.

Can you describe for us any follow-up OPM performs to help train agencies and get them to actually use the tools you provide?

OPM has recently restructured itself to better provide expert consulting services to help the Government transformation in human capital. Our divisions in policy, human capital leadership and merit system accountability and products and services have recently hired some of the brightest minds in strategic human capital management. The assistance provided by OPM is an on-going consultative effort delivered through the dedicated resources of individual agency Human Capital Officers (HCOs). All of the advice and guidance provided by HCOs leading up to the scoring process is designed to educate agencies about tools and how to use tools available to assist them in the strategic management of human capital. It is important to recognize that a major goal of the new (restructured) OPM is to assume a more proactive role in assisting and advising agencies before and during the human capital management (HCM) efforts, rather than merely an after-the-fact review and audit approach to agency activities.

What are OPM's plans for meeting this goal (continuity of leadership and knowledge is assured through succession planning and professional development programs in 25% of all Federal agencies by July 2004)?

Although this goal is a milestone in OPM's Proud-to-Be for July 2004, the most recent scoring results (Q4 03), indicate that a majority of agencies are already incorporating succession planning and professional development in their overall agency strategic planning activities. Although there is no regulatory requirement that agencies maintain an inventory of employee skills, we hold them accountable for their efforts in this area by evaluating them against the Human Capital Assessment and Accountability Framework (HCAAF). The standards require agencies to implement a workforce planning system to identify and address gaps in mission critical occupations and competencies as well as in the leadership ranks.

What are OPM's plans for a Government-wide approach to managing the development and succession of Federal executives?

OPM created the HCAAF to better review agency efforts and advise agencies on their strategic human capital efforts. The framework has six standards – strategic alignment, workforce planning and deployment, leadership and knowledge management, results-oriented performance culture, talent and accountability – that provide guidance to the agencies on building excellence in human capital. Succession planning at all levels of the organization is woven throughout the six standards. There is emphasis on leadership support, linking human capital to strategic planning, creating a recruiting strategy for all levels of the organization and building a diverse workforce.

What are some of the initiatives OPM currently has in place to develop executives?

At the Government-wide level, OPM will soon launch a Federal Candidate Development Program (FedCDP). Within 14 months after the program begins, the FedCDP will deliver leaders who have completed specified developmental assignments and are eligible for appointment to the Senior Executive Service (SES), subject to Qualifications Review Board (QRB) review. As agencies identify their leadership succession needs, the FedCDP will be a key tool in meeting their short-to mid-term needs.

Do we still face a "burning platform" with regards to our Federal workforce?

Although the projected retirements may not be quite as high as once anticipated, the losses projected are still serious, and we cannot relax our efforts to recruit and retain a high-quality workforce. We are ever mindful of the impact the loss of expertise and institutional knowledge can have upon individual agencies and work very closely with agencies to ensure retirements are strategically accomplished and that agencies have effective strategies in place for dealing with this problem. These efforts include working with agencies to ensure they have identified mission critical occupations, existing

competencies and future needs in order to ensure effective workforce and succession planning efforts can be implemented.

What steps have been taken to ensure that Federal agencies will be equipped with sufficient human resources in 5, 10 years to sufficiently meet their missions?

OPM is cognizant of the agencies' increased need for a Federal human resource system that is more varied and flexible. Agencies must be empowered to implement systems that will allow them to achieve the maximum possible results in accomplishing their individual missions. Agencies should be granted the widest possible authority in the use of existing flexibilities such as category rating, pay banding or pay-for-performance systems in compensation and appraisal efforts, and Voluntary Early Retirement Authority (VERA)/ Voluntary Separation Incentive Pay (VSIP) in workforce reshaping and planning efforts. OPM, through its human capital officers, requires agencies to develop and implement a workforce planning process that identifies mission critical positions/competencies and a strategy for closing the gaps through recruitment, retention or training. Also, agencies must have a succession planning process in place for leadership and mission critical positions.

Why haven't we seen the projected level of retirements?

OPM recognizes retirement decisions are driven by a number of factors, both internal and external, for example retirement eligibility, economic stability, alternative employment options and quality of life. Chief among them is the quality of the workplace and the contribution an individual can make. We believe that since the implementation of the President's Management Agenda, our employees can once again see the value of their work and its contribution to the people of the United States.

A second factor is that previous projections were internally focused, based primarily on retirement eligibility, rather than on externally focused on factors such as the economy or private sector employment opportunities. This approach contributed to artificially high projections in the anticipated level of retirements. Lessons learned from our workforce and succession planning efforts have informed our approach to workforce analysis and retirement projections. Future projections should more accurately reflect the actual level of retirements over time.

Why are you now projecting less than you did just one year ago?

Retirement projections by our Workforce Information and Planning staff at OPM are updated annually using the most current three years of data, and cover full-time permanent employees within the executive branch with certain exclusions (the FBI for one). This model looks at the probabilities of persons retiring based on the history of the Federal workforce. As mentioned above, we have learned from our workforce and succession planning efforts and have been able to refine our approach to workforce analysis and retirement projections. Consequently, as a result of the increased

sophistication of our retirement projection model, our current FY 2003 forecasts are lower and more in tune with actual historical retirements than those made in FY 2002.

Since this does not appear to be an exact science, could we face larger numbers than you project?

As the Workforce Information and Planning Group moves more intensely into the area of workforce planning the projections and their monitoring will be strengthened. This should be enhanced by the advent of the Employee Human Resource Information System and its modeling components, which will allow monitoring and updating of these forecasts on a much more frequent basis. However, no projection can exactly predict the future and, therefore, actual retirements may be either more or less than actually projected.

What would agencies do then?

As the President's advisor on strategic human capital issues, Director James is committed to developing tools and providing support to help agencies succeed in their human capital transformation efforts. The human capital initiative permeates all of our activities and plans as an agency. We will continue to devote our resources toward helping agencies build the capacity they need to make progress. We will continue to work with agencies individually to identify both immediate and long-term human capital goals that fit their situation and will allow them to improve at a pace appropriate to the objective of the agencies into high-performing organizations. This assistance includes ensuring agencies place greater emphasis on the identification of their mission-critical occupations, competency assessment and skills gap analyses, and strategic hiring practices. Agencies must ensure that their human capital management practices position agencies to recruit and retain a diverse, high-quality workforce that will meet their current and future mission-critical needs.

Have they planned for that?

The work of OPM is designed to assist agencies in this planning. We know how important it is for agencies to begin their workforce planning efforts now. Our goal is to ensure that Federal agencies have the information and tools necessary to devise successful workforce plans. The Human Capital Standards for Success set forth an explicit workforce planning strategy, linked to the agency's strategic and program planning efforts, to identify its current and future human capital needs, including consideration of the size of the workforce, its deployment across the organization, and the competencies needed for the agency to fulfill its mission. The efforts are geared to creating a citizen-centered, results-oriented, market-based organization. OPM's Human Capital Officers provide agencies with a direct one-on-one relationship to assist them in their workforce planning efforts. Through OPM's guidance and support, every agency has a strategic human capital plan. Agencies are working to identify mission-critical occupations. They are identifying competencies to fill these positions and creating strategies to address the gaps, whether through training, recruiting or workforce re-shaping.

What are you doing to ensure that there is a quality pool of candidates for agencies to tap in future years?

OPM is working with all major agencies through the President's Management Agenda to ensure that agencies are conducting the appropriate level of workforce planning including executive succession planning. The Federal Government continues to face large numbers of retirement-eligible executives with too few successors in the pipeline. The problem is exacerbated by the fact that many new employees no longer plan on a 20-30 year Federal career, which means fewer will remain in the Government to gradually develop needed executive competencies without an active program to cultivate such leadership. As a result, agencies are becoming more active than before in confronting and addressing these issues, and best practices in this area are starting to emerge in agencies such as Health and Human Services.

What is OPM doing on the mid-career and entry level front to make sure there are good candidates for executives and leaders in the future?

To address longer-term needs, OPM is creating both an Executive Readiness Program for mid-career employees to help create a cadre from which to draw future executives. Executive Order #13318 creates the Presidential Management Fellows Program (PMFP) which modernizes the Presidential Management Intern (PMI) program, to enhance our effectiveness in bringing high potential job candidates into Government. We will have more details in the coming weeks as these program regulations are formalized. Through these initiatives, OPM will continue to make executive succession planning a top priority across Government.

What agencies need help or remain challenged in terms of better succession planning?

The most recent scoring activities (Q4 'O3) indicated the majority of agencies have incorporated workforce and succession planning into their strategic planning process. However, scoring results also indicate that agencies are at various stages of implementation of these plans. Some agencies have completed the identification of their mission-critical occupations, the necessary competencies and skills gaps. Other agencies have moved beyond these initial steps and have actually begun to reshape their workforce through the use of flexibilities such as Voluntary Separation Incentive Payment (VSIP) and Voluntary Early Retirement Authority (VERA) in order to build the capacity necessary to achieve their mission. Because workforce and succession planning permeates all aspects of strategic human capital planning and management, and because these activities are ongoing in nature, it would be inaccurate to characterize any individual agency's current position in the process as "need[ing] help" or "remain[ing] challenged" in terms of their succession planning activities.

How do the new flexibilities which were recently enacted help agencies engage in better succession planning?

Director James guided OPM's efforts to create the many flexibilities now available for agencies to use to meet their succession planning challenges, and OPM's new organizational structure provides the ideal vehicle for educating and assisting agencies in the use of available human capital flexibilities. Among an extensive array of recruiting, hiring, development, and retention flexibilities provided to Federal agencies, under the appropriate circumstances, are:

- Recruitment and relocation bonuses
- Payment of relocation expenses
- Retention allowances
- VERA
- VSIP
- Category rating of job candidates (as an alternative to the "Rule of Three")
- Direct hire for critical shortage occupations
- Temporary and term appointments
- Payment of tuition for academic work leading to a degree
- Repayment of student loans

Taken as a whole, these flexibilities provide an unprecedented toolkit of incentives for recruiting and retaining high quality professionals in the Federal Government.

What barriers stand in the way of agencies engaging in better succession planning?

As noted in GAO's' report entitled HUMAN CAPITAL: Insights for U.S. Agencies from Other Countries' Succession Planning and Management Initiatives, organizations that have been successful in succession planning have: had active support of top management, linked succession planning to strategic planning, identified talent from multiple organizational levels, emphasized developmental assignments, addressed specific human capital challenges and facilitated broader transformation efforts.

If not addressed, these can all be barriers to any organization engaging in succession planning. But without leadership commitment, guidance and active participation succession planning will not happen.

What barriers are there that agencies need removed in order for them to hire more effectively?

For agencies to hire more effectively they must do the following:

1. Create a marketing plan that generates excitement about the agency and its mission and make that information available to internal and external candidates through multiple media outlets.
2. Create an environment where applicants can easily apply for positions.
3. Use flexibilities to maximize agencies' ability to compete in the market.
4. Be timely in scheduling interviews and responding to candidates – no more than 30 days (every applicant is a customer, i.e. taxpayer).
5. Where appropriate, maintain, as a recruitment tool, a list of candidates that may be a fit for future positions.
6. Recruit, recruit, recruit.

Does the fragmentation of agencies outside of title 5 help or hinder in their succession planning efforts?

OPM does not consider granting agencies flexibilities needed to achieve their missions in absolute terms. Rather, Director James recognizes the principle that there is no "one size fits all" personnel system for the Federal Government and encourages agencies to be aggressive in their efforts to implement the initiatives contained in the President's Management Agenda. This includes creative and innovative use of existing flexibilities to ensure the strategic management of human capital, including succession planning. In addition, Director James recognizes that, in certain instances, the most effective and efficient means available to assisting agencies achieve their mission may lie outside the framework of title 5. OPM and Director James have consistently worked with agencies to ensure that those agencies that have demonstrated a mission-critical need have been granted the necessary authority to implement flexibilities outside of title 5 as appropriate.

For example, at the agency component level, Director James recently granted the Department of Agriculture the authority to extend its alternative personnel system flexibilities to part-time employees in the Forest and Agricultural Research Services. In February of this year, Director James granted the Department of Commerce a five-year extension and the authority to expand the coverage of its demonstration project which is piloting aspects of the National Institute of Standards and Technology alternative personnel system.

OPM worked diligently with Department of Homeland Security (DHS) representatives and interested stakeholders to ensure a full understanding of the agency's mission-critical needs requiring flexibilities outside of title 5 as appropriate. This work continues as OPM partners with DHS officials to craft its personnel system, which may well contain flexibilities crafted from within and outside of the title 5 framework.

Finally, OPM has recognized that among the impacts of national security on the Federal Government is an increased pressure on the ability to hire and fire employees in a more timely and efficient manner.

How does OPM's work in the E-Government area assist agencies in better succession planning?

The OPM Recruitment One-Stop e-Government initiative improves the process of locating and applying for Federal jobs, and expands the functionality of the OPM USAJOBS automated employment information system. Recruitment One-Stop benefits job seekers by offering:

- A Federal Government branded web presence that delivers a fast and responsive experience;
- A job search routine that is clear, easy to use, and helps job seekers identify jobs that match both their skills and interests;
- An improved, intelligent, and efficient process for building on-line job applications;
- Early feedback regarding basic eligibility screening on factors such as citizenship or age;
- On-line application status tracking; and
- Seamless integration with agency automated assessment systems.

Through these enhanced services, Recruitment One-Stop looks to position the Federal Government as the first stop for job seekers. An improved front-end process for job applicants improves the quality level of new hires and reduces the amount of time it takes Federal agencies to source candidates.

NATIONAL ACADEMY OF PUBLIC ADMINISTRATION
1100 New York Ave NW, Ste 1090 East
Washington, D.C. 20005
TEL (202) 347-3190 FAX (202) 393-0993
INTERNET: www.napawash.org

Human Capital Succession Planning: How The Federal Government Can Get a Workforce to Achieve Results

Subcommittee on Civil Service and Agency Organization — Chairwoman Jo Ann Davis

Supplemental Questions by the Subcommittee and Answers Provided by the National Academy of Public Administration

1. ***We know that the Academy has issued several reports warning about the serious succession management challenges facing the federal government spanning more than a decade. How does the challenge currently facing federal agencies differ from that which you first identified over 10 years ago?***

Many of the findings and conclusions that were included in the Academy's seminal study are as relevant today as they were in 1992. In 1997, when we reexamined succession planning and leadership development, we found that only 28 percent of government respondents had, or planned to have, a succession management program. While the challenge remains fundamentally the same today, the key difference is the criticality of the problem and the environmental factors that impact required competencies and define leadership developmental needs. The following are examples of the environmental factors.

- The President's Management Agenda (PMA) provides overall management guidance for federal agencies and is designed to provide an aggressive strategy for improving the management of the federal government. With an aging cohort, declining numbers, accelerating technological changes and fundamental changes in the workplace environment, managers and executives are under enormous pressure to change their own behavior and their organizations' performance and culture.
- Federal organizations and the people who lead them increasingly find themselves thrust into the global context. This was not always the case. As a result of recent realities, the federal sector must turn its attention to the active and conscious development of leaders prepared to represent the United States in a complex and challenging global and cross-national context.
- While diversity and work-life issues are now new, current workforce trends and employee retention concerns redefine them (as does the PMA's emphasis on grading the strategic planning for human capital). Leaders are responsible for acting as change agents, modeling behaviors which support the creation of a future state that maximizes the contributions of employees as they fulfill organizational goals, and for ensuring that,

among other things, managing diversity principles are integrated into the organization's way of life.

- The increasing use of contingent/blended workforces has implications for the role and competencies of federal leaders. Our review of leader development programs and formal leader development training in several agencies and training providers found nothing on leading a blended workforce or matrix workforces
- A result of the recent decade's "reinventing government" initiatives has a significant impact on federal middle managers and first line supervisors. Now, with government's supervisory/management ranks thinner by 28 percent since the beginning of the 1990's, most of those who remain mange more people and more work than they did before. Managers tread water as they try to keep their organizations afloat with tactical, short-term decision-making, with little time left for strategic decision-making that would include human capital considerations. Therefore, it is not surprising that the 2002 Federal Human Capital Survey, administered by the Office of Personnel Management yielded negative employee perceptions of government leadership.

2. ***In its previous studies, the Academy has identified key characteristics of a strategic approach to succession planning and management. What are some of the key characteristics?***

The critical characteristics of succession planning are the following:

- Top Leadership (CEO) Priority
- Integration with Strategic (Business) Planning
- Compatibility with Organizational Culture
- Attention to Increasing Diversity
- Executive Competencies Identification and Assessment
- Planning Developmental Experiences
- Human Resources Functional Support

Organizations incorporate these factors in a variety of ways, but each of these characteristics is evident in some form when succession planning is used effectively.

3. ***Has the Academy identified any federal departments or agencies that are doing a particularly good job at succession planning and management?***

In general, it does not appear that agencies have developed the types of comprehensive succession planning programs that include projecting executive staffing requirements, identifying individuals ready to move into key positions and those with strong potential to do so, preparing candidates through planned developmental assignments, and selecting leaders from continually maintained and developed lists, pools or cadres. A 1999 study by the International Public Management Association for Human Resources identified the Pension Benefit

Guaranty Corporation (PBGC) and the U.S. Department of Energy's National Nuclear Security Administration, Nevada Operations (NNSA/NV) as examples of effective federal succession planning programs. The vision of PBGC's Leaders Growing Leaders Program is to have a diverse and fully prepared group of candidates who will be viewed as corporate assets. This group of high potential employees will be qualified to compete for PBGC's leadership vacancies over the next five to ten years. NNSA/NV has developed a managerial succession planning manual that establishes training and developmental activities in support of key management practices. We also believe that OPM's implementation of the federal-wide SES Candidate Development Program is a giant step toward dealing with the imminent retirement of recent SES members.

Signed,

Al Ressler
Director
Center for Human Resources Management

Question #1: Can you briefly describe some of these methods and indicate the ones you believe might be effective for the federal government?

Answer: Years ago many companies built succession planning processes that had slates of candidates tied to specific roles. That is more unusual today as companies are more inclined to think of talent "pools," people at certain levels that are ready to move on to a number of **different** roles.

Question #2: Which companies have successful and effective succession planning programs?

Answer: There are many companies with highly successful succession planning methods. As a starting place, we'd look to the companies selected as the Top Companies for Leaders for 2003. This was a study we did with *Chief Executive* magazine and described in our forthcoming cook Leading the Way (to be published by John Wiley in January 2003). The list includes the following:

1. IBM/Johnson & Johnson
3. General Electric Company
4. Colgate-Palmolive Company
5. Dell Computer Corporation
6. United Parcel Service, Inc.
7. Medtronic, Inc.
8. The Procter & Gamble Company
9. PepsiCo, Inc.
10. Southwest Airlines Co.
11. Whirlpool Corporation
12. Microsoft Corporation
13. Cisco Systems, Inc.
14. Wells Fargo & Company
15. FedEx Corporation
16. Pitney Bowes Inc.
17. State Farm Insurance Companies
18. General Mills, Inc.
19. Intel Corporation
20. Merck & Co., Inc.

Question #3: From what you know about succession planning programs and practices, how do you see them being applied to the Federal Government?

Answer: Many, if not all, of the leadership practices are directly applied to the Federal Government.

Question #4: How and where do you begin to build a succession planning process and a workforce that achieves results?

Answer: It all begins with the senior executive team. They must passionately and visibly believe in building and developing great talent. Once they hold these beliefs and values there are a number of processes that can and should be put in place to drive change.

OFFICE OF CONGRESSIONAL AND
INTERGOVERNMENTAL RELATIONS

December 10, 2003

The Honorable Jo Ann Davis
Chairwoman, Subcommittee on Civil Service and Agency Organization
Committee on Government Reform
U.S. House of Representatives
Washington, D.C. 20515

Dear Madam Chair:

Thank you for the opportunity to provide you with this additional information about the EPA's efforts to address its succession planning efforts and human capital needs. Enclosed for insertion in the hearing record are the Environmental Protection Agency's (EPA) responses to questions submitted by members of the Subcommittee on Civil Service and Agency Organization following the October 1, 2003 hearing on "Human Capital Succession Planning: How the Federal Government Can Get a Workforce to Achieve Results."

If you have any questions about the enclosed materials, please do not hesitate to contact me, or your staff may call Carolyn Levine in EPA's Office of Congressional and Intergovernmental Relations at (202) 564-1859.

Sincerely,

Benjamin H. Grumbles /s/
Acting Associate Administrator

Enclosure

EPA Answers: Questions for the Record
Human Capital Succession Planning: How the Federal Government Can Get a Workforce to Achieve Results"
Subcommittee on Civil Service and Agency Organization
Chairwoman Jo Ann Davis
October 1, 2003

1. EPA was given an overall grade of "red," or "unsatisfactory," for Strategic Management of Human Capital in the last round of the President Management Agenda's scorecard issued June 30, 2003. The agency was given a score of "yellow," or "mixed results," for progress in implementing its Human Capital reforms. What have been EPA's strengths and weaknesses in human capital management and how do these strengths and weaknesses impact its succession planning?

Answer:

Since the hearings on October 1, 2003, EPA has received the fourth quarter, FY 2003 scorecard results for the human capital portion of the President's Management Agenda. EPA once again has a green progress score (4 out of 5 quarters have been green) and, like most agencies, remains at red for its status score. While EPA has improved our track record in a number of human capital practices -- particularly in employee development programs and succession planning, more improvement is needed.

For example, in the late 1990s, EPA initiated its Workforce Development Strategy which provides a holistic approach for equipping employees with the critical, cross-cutting skills that will help support the Agency's mission today and in the years to come. Specific programs have been implemented focused on clerical, mid-level and management-level employees. The EPA Intern Program was also initiated as part of the Workforce Development Strategy, and has been held up as a model recruitment/development program within the Government. Since the Program's inception, nearly 200 entry-level employees have joined the Agency under the auspices of this program and been retained. These talented and diverse people will, in the years to come, form a significant portion of EPA's leadership.

As we focused on impending retirements of our senior managers, we realized many of our managers had held positions in the same program in the Agency for decades. This prevented the development of a cadre of managers who possessed a broad knowledge base and would be able to meet the challenges of the future. To address this deficiency, we instituted our SES Mobility Program to ensure that the Agency's senior leaders have a wide-ranging set of skills and the expertise to react to continuous change.

Both OPM and OMB have recognized the value of our accomplishments and are looking to EPA to continue its progress in fully implementing a Strategic Workforce Planning System and a Human Capital Accountability System. Our initiatives are well under way and we expect our status score to improve, reflecting our progress in these two key areas.

2. GAO reported that 60% of the agency's senior executives will become eligible for retirement by the end of 2008, creating potentially severe leadership shortages in some units and regions, such as Kansas City and Seattle, where about 86% of the executives will become eligible to retire over the next five years. I understand, in response to this challenge to leadership continuity, the agency reinstated its SES candidate development program and implemented management training for new and current mid-level supervisors.

   How successful have these efforts been in addressing the needed executive resources and what other steps has the agency taken – or does it plan to take – to ensure leadership continuity?

Answer:

In addition to the Agency reinstating its Senior Executive Service (SES) Candidate Development Program (CDP) whereby 51 high caliber individuals were given rigorous development and training in preparation for assuming SES positions, the Agency has also instituted a vibrant SES mobility program. This program has also yielded great success and continues to be a valuable succession planning tool for senior management. To date, approximately 35 percent of the Agency's senior executives have accepted new positions as part of the mobility program. Both the CDP and SES mobility programs afford the Agency highly skilled individuals that can step right into a vacated SES position and ensure the continuity of our senior leadership in the Agency.

The Agency has a rigorous Workforce Development Strategy (WDS) which is designed to develop and enhance the leadership skills and competencies of all EPA employees--from administrative to senior executive employees. The WDS has been very successful developing competencies in change management, interpersonal skills, project management, process management, and customer service.

3. GAO also reported that a significant portion of the agency's key scientific and technical staff will become eligible for retirement by the end of 2008. For example, nearly 45% of the agency's toxicologists and around 40% of its health physicists will be eligible to retire. I understand that the agency has considered using special hiring authorities to improve its ability to recruit the needed highly qualified scientists.

   Could you please tell us (1) what progress has the agency made on the development of [using special hiring authorities to recruit highly qualified scientists] and (2) what other steps is the agency taking in the meantime to ensure the retention of experience and knowledge and the continuity of leadership for these vital positions?

Answer:

The Agency continues to be faced with a number of challenges in recruiting and retaining key scientific and technical staff. In the recent past, EPA has been unable to fill critical positions because of it's inability to compete with the private sector and other federal agencies who have special hiring authorities. In addition the Agency is starting to experience the loss of key scientific and technical staff to other federal agencies because of the inability to provide competitive compensation. EPA is working to address these challenges.

The Agency convened a group comprised of representatives from the Office of Research and Development and the Office of Human Resources and Organizational Services to design and gain Agency clearance on a pay flexibility plan under 42 U.S.C. The plan would permit the setting of pay for a group of research scientists within an established range and allow for hiring flexibilities similar to those used to make appointments to the excepted service. The pilot program gained the sponsorship of the Assistant Administrator for Research and Development and the Deputy Administrator. The Agency is continuing to work towards achieving hiring flexibilities to address these critical challenges.

EPA is moving to implement an aggressive Workforce Planning system (see responses to earlier questions for details) as a means for developing working definitions of the evolving skills needs and as a basis for recruiting the staff required to fulfill these needs. EPA continues to implement its Workforce Development Strategy (again, see details in other responses we are providing) which focuses on retooling and continued development of the talent already on board.

4. GAO reported that the agency's strategy for developing its workforce focused on enhancing general competencies, rather than specific mission-critical scientific or technical skills.

   What steps is the agency taking to ensure that its mission-critical workforce gets the needed scientific and technical training they need in order to ensure that the agency can meet its mission?

Answer:

The Agency offers scientific and technical skill training to ensure that mission-critical skills are developed in our workforce. The Water Careers Program (WCP) is an example of the type of scientific and technical training provided. The WCP offers courses in water quality standards, water quality laws, permit writing training, and working effectively with tribal governments. The WCP helps ensure that mission-critical scientific and leadership skill continuity are fostered at EPA.

5. What progress has EPA made with regard to identifying its people needs– in total, by location, and by type?

Answer:

Workforce Planning is the cornerstone of the Agency's Human Capital initiative. The Agency launched its Workforce Planning Pilot in April 2003, and will complete the pilot in December 2003. Fifteen hundred employees from six Headquarters program offices and three Regions participated in our pilot.

Strategic Workforce Planning (SWP) is an integral tool in the achievement of an organization's mission and strategic goals. SWP enables decision-makers to project workforce requirements (i.e., source of human resources, types of competencies required/desired) based on an organization's mission, budgetary resources, and skills resident in its existing workforce. There are four key steps in the EPA SWP Framework:

- Supply - What skills and competencies exist in the workforce?
- Demand - What skills and competencies are required to meet the Agency's strategic goals?
- Gap Analysis - What gaps or surpluses exist between the supply and demand data?
- Strategies and Solutions - What strategies should be implemented to fill the gaps?

The results of our SWP pilot will directly impact our understanding of and activities in *each* of the other five Human Capital elements. Thus, the implementation of the Strategic Workforce Planning system will help EPA identify its people needs - in total, by location, and by type. In addition, the SWP will help EPA ensure that the right people are in the right place, with the right skills, at the right time.

National Aeronautics and
Space Administration
Headquarters
Washington, DC 20546-0001

ply to Attn of: LB:MDC:L/2003-871f

DEC 8 2003

The Honorable Jo Ann Davis
Chair
Subcommittee on the Civil Service
and Agency Reorganization
Committee on Government Reform
House of Representatives
Washington, DC 20515

Dear Chair Davis:

Enclosed are the responses to written questions submitted by you resulting from the October 1, 2003, hearing at which Ms. Vicki Novak testified on "Human Capital Succession Planning. How the Federal Government Can Get a Workforce to Achieve Results." This material completes the information requested during that hearing.

Sincerely,

Barbara F. Cherry

Barbara F. Cherry
Congressional Liaison Division

Enclosure

Responses to written questions submitted by Congw. Jo Ann Davis resulting from the October 1, 2003, hearing.

Human Capital Succession Planning: How The Federal Government Can Get A Workforce To Achieve Results

Question: NASA's Langley Research Center is in my district, and concerns linger there about the aging talent in NASA, and that the organization is not investing in its future. Earlier this year, GAO reported that NASA's workforce profile, particularly for scientists and engineers, points to the need for effective succession planning. For example:

- The average age of these workers was over 45;
- 15% of this groups was eligible to retire; and
- Another 25% would be eligible to retire by 2008.

What progress has been made in addressing these issues to insure the continuity of leadership for these vital positions?

Answer: NASA has made leadership development and succession planning a priority. The Agency's approach is to attract and develop potential leaders who possess the competencies needed to lead strategically, lead and manage change effectively, and create conditions which enable employees and organizations to fulfill the Agency's vision and mission safely and most effectively.

We are guided in this effort by our new competency management system. This system enables us to compare competency demands with the current knowledge base, assess competency strengths and weaknesses, and identify "at risk" competencies on an Agency basis. We can then use this information to drive recruitment, training, diversity, leadership, and succession planning.

As highlighted in NASA's October 1 testimony, the Offices of Human Resources, Education, and Equal Opportunity Programs are collaborating to enhance the synergy between the Agency's education programs and hiring needs. We reengineered our Center-based recruitment approach and created a corporate recruitment strategy to make better use of our resources and to better respond to our workforce challenges. As an example, we recently identified 10 Agency-wide "at risk" competencies using the new Agency competency management system. With this information, we embarked on several Fall 2003 "NASA Awareness" recruiting events around the country. Agency senior leaders supported these events and hiring managers made offers to students during or shortly after these visits.

NASA uses its leadership development programs – such as the NASA Fellowship Program, the Leadership Development Program (LDP), and the Senior Executive Candidate Development Program (SESCDP), each of which is outlined in the October 1 testimony – as succession planning tools so that the Agency's future leaders are equipped with needed leadership competencies in conjunction with their technical abilities. In 2002-2003, 55 employees participated in the NASA Fellowship Program. Twenty-one employees participated in the formal LDP in 2002-2003, and more than 400 employees participated in the individual component programs. The current SESCDP class includes 40 participants. Over seventy percent of graduates of the SESCDP have been appointed to the SES.

In addition to the formal developmental aspects of NASA's succession planning strategy, we emphasize the need for more informal methods of leadership development. One such method is to increase assignments that broaden employees' experience and perspective and enable employees to collaborate and work in a One NASA way. We have placed a renewed emphasis on professional development, mobility, and collaboration and encourage NASA's current and future leaders to pursue development opportunities at other NASA Centers and work on ad-hoc Agency assignments. We are also using coaching, mentoring, and knowledge sharing to transfer knowledge from experienced personnel to less experienced practitioners.

All of NASA's formal and informal methods of leadership development combine to create an integrated, strategic approach to succession planning. The involvement and input from Agency and Center senior leaders ensures that leadership development aligns with the priorities and needs of the Agency. The pool of leaders developed through Agency leadership development programs is contributing to the staffing of senior leadership positions.

NASA is also pursuing legislative provisions to help ensure the Agency continues to have the core competencies and leadership needed today and for the future. The Agency has worked closely with the House Science and Government Reform Committees and the Senate Governmental Affairs Committee on human capital-related legislative provisions that will give NASA greater flexibility in addressing skills and demographic imbalances and leadership challenges. These provisions include a diverse set of tools and flexibilities designed to address the different challenges we face in recruiting and retaining employees at varying levels: freshouts, mid-level, and senior level.

Question: NASA was given an overall grade of "yellow," or "mixed results," for Strategic Management of Human Capital in the last round of the President's Management Agenda's scorecard issued June 30, 2003. NASA was given a score of "green," or "success," for progress in implementing its Human Capital reforms. What NASA human capital initiatives enabled you to achieve the "green" designation for progress?

Answer: Our success at implementing Human Capital reforms throughout the Agency has earned NASA a "green" rating for progress.

We have developed and implemented an integrated, systematic, and Agency-wide approach to human capital management that focuses on results. The Agency's Strategic Human Capital Plan and the Strategic Human Capital Implementation Plan detail our human capital strategy aligned with NASA's mission and integrated into Agency strategic planning.

Full implementation of the Strategic Human Capital Plan has included numerous activities. In addition to developing and rolling out the Agency competency management system and the Agency-wide corporate recruitment strategy, NASA has:

- increased use of the NASA Excepted Positions (NEX) authority to hire individuals with critical competencies,
- assessed management satisfaction with NASA's electronic job application submission system (STARS),

- cascaded the seven Senior Executive Service performance criteria to at least 60% of workforce, and
- developed a follow-up system for students/educators participating in pipeline programs linking to additional educational and HR opportunities.

In addition, we conducted a study of our Recognition and Incentive Awards Program, assessing the linkage between employee rewards and goals and developing an implementation plan to support study recommendations. Several projects are currently underway to implement the study recommendations.

The Agency's integrated, systematic and Agency-wide approach has greatly enhanced our ability to manage our human capital --

Mission/Goal Alignment. Using the competency management system to assess our workforce capability, we are able to successfully integrate multiple human capital strategies to ensure that we achieve our mission, vision, goals and objectives documented in our Strategic Human Capital Plan and the companion Strategic Human Capital Implementation Plan.

Performance Management Alignment. NASA has a performance management system that links individual performance to strategic goals and has developed a strategy to ensure that recognition and awards decisions are linked to results.

Education Programs. We are focused on stabilizing "at risk" competencies by developing long-range education and recruitment programs to overcome the impact of declining student enrollment in Science, Technology, Engineering and Mathematics (STEM) curricula. The Educator Astronaut Program, for example, is designed to give teachers the opportunity to be astronauts and inspire students to pursue studies in STEM.

Workforce Modeling. Using critical information about our workforce competencies, we are able to more effectively leverage our talent to accomplish our mission.

Training and Development Thrusts. We are building capacity and ensuring we have the critical competencies we need in the future by aligning training programs with our competency needs and through the use of E-Learning techniques. The NASA Site for Online Learning and Resources (SOLAR) is just one example of how we have provided various training opportunities for employees right at their desks.

Succession Planning. Our Leadership Model ensures that our leadership and management development is aligned to our Strategic Plan and human capital strategies. Agency leadership developmental programs develop potential and current leaders at grades 13 through SES.

Program and Project Management. In addition to our leadership development programs, NASA has strong training and development programs for developing project and program managers. The Academy of Program and Project Leadership (APPL), Project Management Development Process, and Project Management Development Process - Accelerating Leadership Option are three programs developed and implemented to educate and train our program/project management workforce.

Strategic Hiring/Retention. NASA's reengineered Center-based recruitment approach and new corporate recruitment strategy make better use of our resources

and permit us to better respond to our workforce challenges. We have also developed and implemented a highly effective Agency-wide job web site, eliminating ten separate job sites across the Agency. Our automated hiring system, NASA STARS, enhances our ability to compete with private industry for top talent at college recruiting events, while our automated position description system has enabled managers to effectively create position descriptions online. We are currently implementing an Organizational Profile System that provides managers with a wealth of information about their organization and the employees. Proposed legislation will strengthen our ability to get the right skills in the right positions at the right time.

Our integrated human capital management strategy is guided by measurable outcomes. We have developed the Human Capital Accountability and Assessment System to reinforce values and expectation through cyclical evaluation, strengthen our commitment to improving processes across all levels, and ensure that organizational learning leads to insight and actions. This is a results-based system that enables us to document, understand, evaluate and continually improve human capital in an integrated way.

Questions for the Record
House Committee On Government Reform
Subcommittee On Civil Service
And Agency Organization
October 1, 2003

Hearing On Human Capital Succession Planning

Question 1: A GAO study released in the year 2000 noted that 83% of the Senior Executive Service employees in the Department of Veterans' Affairs would be eligible for retirement by the year 2005. How did the VA get to the place where the vast majority of its Senior Executive Service is eligible to retire in the near future? What is the VA doing to train and transition more leaders into these positions once they are vacated in the coming years?

Response: High retirement eligibility and a rapidly aging workforce is not a problem unique to VA but rather a Government-wide problem, caused in large part by the impending departure of the "baby boomers." The problem exists in the Senior Executive Service and in many of VA's mission-critical occupations. For this reason, VA has taken a multi-tiered approach focusing on training and education at all organizational levels to prepare our future leaders.

At the Departmental level, VA has instituted a Senior Executive Service Candidate Development Program, with a strong emphasis on diversity in selecting individuals for these programs. Sixteen candidates will complete this program in May 2004. An announcement for the next class of candidates will be published in January 2004.

Another Departmental initiative is the Secretary's "Task Force on the Employment and Advancement of Women in the Department of Veterans Affairs." The task force was charged with developing a comprehensive plan that would correct the imbalances in the employment and advancement of women in VA at the GS-13 and above grade levels. The task force submitted its report to the Secretary, who approved its recommendations addressing three strategic goals. The goals are to: (1) increase internal and external recruitment and retention programs designed to attract and promote women; (2) develop and enhance education and training programs designed to advance women; and (3) foster a corporate culture that proactively integrates women into GS-13, GS-14, GS-15, and Senior Executive Service positions.

The Veterans Health Administration (VHA) has a broad leadership development continuum based on its High Performance Development Model (HPDM). The continuum of programs include: Technical Career Field Internships; New Employee Orientation; HPDM Awareness; Graduate Health Administration Training Program; Local Leadership Development Programs; Veterans Integrated Service Network (VISN) Level Leadership Development Programs;

Supervisory Training; Nurse Manager Training; Service Line Manager/Service Chief Orientation; Executive Career Field Leadership Training for senior executives and senior managers; and Executive Career Field Leadership training for aspiring high potentials.

The Veterans Benefits Administration (VBA) has also implemented a multi-tiered nationwide approach to leadership development. A major focus is on diversity in selecting applicants for these programs to develop future leaders at all organizational levels. The pyramid of programs and courses include: New Employee Orientation; the Leadership Enhancement and Development Program for high potentials in our feeder pool of employees GS-9 through GS-12; the Regional Office Assistant Director Development Program; Mid-level/Division Level Leadership Training; Local Leadership Development Programs; Technical Training Programs/Courses in all Business Lines; Instructor Development Training; and the Senior Executive Service Candidate Development Program (SESCDP) for outstanding executive potentials.

VBA's Assistant Director Development Program targets high performing mid-level managers with leadership potential. The inaugural class has recently concluded and the majority of the participants have already been placed in Assistant Director positions in the Regional Offices throughout the country. VBA sponsored its own SESCDP in 1995 and 2000. Twelve participants graduated from the 1995 program, all of whom were placed in the SES. Sixteen participants successfully completed the 2000 program and all but two have been placed in SES positions.

The National Cemetery Administration is implementing a major new approach to employee training. A training center will be established at one of VA's major national cemeteries and is scheduled to begin operations in March 2004. This center will coordinate the training of key cemetery employees entering NCA, and identify and prepare existing employees for higher levels of responsibilities. Primary focus will be on the Cemetery Director Intern Program and other key positions such as foreman, cemetery representatives, and cemetery program assistants.

Question 2: A 1999 OPM/SEA survey asked SES members whether they would be looking for another job outside the federal government during the next year. Of those that said yes at the VA, 69% said they would do so to look for higher pay. Of the 13 agencies surveyed, VA's percentage seeking more pay was the highest. Does the perception among your employees of low pay at your department continue since this 1999 study? Do you believe this has impacted your succession planning efforts?

Response: As with retirement eligibility, the issue of Senior Executive Service (SES) pay is a concern for VA. While VA's turnover in the SES has been relatively stable and manageable for the past five years, over 90% of VA's senior

executives will become retirement eligible over the next few years. VA is concerned over leadership continuity; whether our salaries are sufficiently competitive to retain our current senior executives; and our capability to attract high quality candidates to fill critical leadership positions in the future.

Pay compression in the SES system is a major problem resulting in the inability to make meaningful pay distinctions linked to the complexity of VA facilities and individual SES assignments. For example, VHA's Veterans Integrated Service Network (VISN) directors often make essentially the same salary as the directors of VA medical centers whom they supervise. This will impact VA's ability to recruit for VISN director positions in the future, since pay compression and the lack of a significant pay increase discourages VA medical center directors from applying.

Another potential problem will arise as more Federal agencies move away from the Title 5 hiring process and receive legislative mandates allowing for the creation of independent personnel systems. The implementation of higher SES salaries at these agencies will hinder VA's ability to compete not only with the private sector, but also with other large agencies in the public sector.

VA is exploring the use of critical position pay for our most complex and difficult to fill SES positions, and will participate with the Internal Revenue Service in a Demonstration Project to develop and test new ways to carry our innovative human resources programs that will affect senior level positions. While these initiatives may address some problems, they will not address the overarching issues of non-competitive salaries; pay compression; increased SES pay at agencies allowed to create independent personnel and pay systems; and the overall resultant impact on VA recruitment and retention.

Question 3: VA has had long-standing difficulties in ensuring timely and accurate decision on veterans' claims for disability compensation. GAO has urged the department to be vigilant in its human capital strategies to ensure that the necessary expertise to process claims as newly hired employees replace many experienced processors over the next five years. Please tell us the specific steps being taken to (1) ensure that the department has the necessary expertise to accurately and efficiently process claims and (2) ensure the continuity of leadership in these vital positions.

Response: VBA has developed a succession plan to ensure the needed expertise to accurately and efficiently process claims and the continuity of leadership in vital positions are retained. This plan has resulted in a series of national hiring initiatives and leadership development programs over the past few years.

Since 1999, VBA has added approximately 2,100 employees in the Compensation and Pension program. These employees participated in rigorous

centralized training programs that provided instruction in claims processing. As these new employees gained proficiency in their duties, performance has improved. By the end of fiscal year 2003, VBA's rating inventory decreased by nearly 180,000 since its peak. Nearly 828,000 claims were processed last fiscal year. Claims rating and authorization quality also improved during the year. Aggressive accuracy targets are in place for fiscal year 2004.

VBA recognizes it must maintain a highly skilled and well-trained workforce to ensure these improvements continue over the long term. It is working to address the long-term human capital needs of the organization that will enable us to sustain our improved performance, even as we experience the inevitable workload fluctuations inherent in the programs we administer. These long-term needs include the training systems, capabilities, and tools to ensure we are selecting the right employees, providing them the skills and development opportunities they require throughout their careers, evaluating and tracking the acquisition of those skills, and building a cadre of potential leaders.

Statement of Joel Szabat
Deputy Assistant Secretary for Budget and Programs
U.S. Department of Transportation

Written Testimony for Subcommittee on Civil Service and Agency Organization
Committee on Government Reform
U.S. House of Representatives
October 1, 2003

Human Capital Succession Planning: How The Federal Government Can Get A Workforce To Achieve Results

I am pleased to submit the following statement summarizing the efforts of the U.S. Department of Transportation (DOT) with regard to planning for the DOT workforce of the future.

DOT's Challenge:

Allow me to begin with the challenges DOT faces in the next few years. In a 2002 workforce analysis, DOT identified that between Fiscal Years 2002 and 2006, approximately 66 percent of the career executives, 50 percent of the GS-15s, and 24 percent of the GS-14's – over 6800 individuals in the leadership cadre of the Department – either have reached or will reach eligibility for optional retirement. *Key occupations include over 23,000 air traffic controllers, almost 7,000 transportation specialists, 5,200 engineers, 3,800 aviation safety inspectors, and 1,100 rail, motor carrier, and highway safety specialists.*

DOT anticipates that 45 percent of the current senior executives will retire by the end of FY2006. In critical occupations such as engineers, 90 percent of the executives and almost 60 percent of the GS-15s will be eligible for optional retirement by 2006. The average age of the aviation safety inspectors and railroad safety inspectors is 52; highway safety specialists, 47; engineers, 44; and motor carrier specialists, 42. Across the total workforce in the most critical occupations, 17 percent of the air traffic controllers, 42 percent of the aviation safety inspectors, and 35 percent of the rail safety inspectors will be eligible for optional retirement in the same time frame. Best estimates are that almost 12,000 total employees will retire in this time frame. Examples of anticipated optional retirements in some of our critical occupations, and their impact on the current workforce in those occupations, are shown below. These projections are based on the actual retirement rates of eligible employees in those occupations over the last several years.

Anticipated optional retirements in critical occupations through FY 2006, as a percentage of the total current permanent workforce, are:

- ***Air Traffic Controllers*** (operational) – 10 percent

- ***Transportation Specialists*** – 25 percent
- ***Engineers*** – 21 percent
- ***Safety Inspectors:*** Aviation – 25 percent; Motor Carrier – 6 percent; Rail – 20 percent
- ***Highway Safety Specialists*** – 22 percent

Solutions – DOT's Human Capital Plan

Based on the workforce analysis and using the President's Management Agenda (PMA) as a vision for human capital, DOT developed a Human Capital Plan to guide the Department in strategically planning for its current and future workforce. The Plan includes initiatives aimed at recruiting, developing, and maintaining a diverse, high performing workforce to meet its mission requirements.

A key component of the Plan is workforce planning—determining what competencies are needed to accomplish DOT's mission both today and in the future. DOT had the foresight in the late nineties to develop a model, process and tools to enable DOT to project the kind of workforce required for the short-, medium-, and long-term future and to develop realistic strategies for building that workforce. DOT's model and Guide have been featured as best practices in several briefings, conferences and workshops conducted by the National Academy of Public Administration, Center for Human Resource Management and was used by each of the Operating Administrations (OAs) to conduct pilots in administrative and professional areas. The experiences from these pilots laid the foundation for DOT to look at mission critical occupations. The OAs are currently conducting workforce planning exercises for these occupations and these are expected to be completed in December 2003. As the OAs develop plans for meeting their future needs, they will be looking at competitive sourcing and e-gov solutions as tools for filling the identified gaps.

Succession planning – planning for DOT's future leaders – is a segment of the total workforce planning process. DOT's Human Capital Plan includes various initiatives for the OAs to use in developing their future leaders. Formal mentoring programs are one of the tools for sustaining future leadership capabilities. DOT has instituted a pilot Departmental mentoring program – *Leaders for Tomorrow* – aimed at preparing mid-level (GS-13/14) managers to advance into executive positions. It focuses on workforce development that adds value to the organization by enhancing professional skills at all organizational levels, increases job satisfaction, transfers institutional knowledge and corporate expertise, while propelling the goals of DOT. Similarly, the ONE DOT Rotational Assignment Program offers employees developmental experiences that match future workforce needs and enhances employee career development.

At the Executive level, DOT is creating a Departmentwide executive coaching program that will build on DOT's leadership competencies to develop future leaders and provide support for executives as they transition into new assignments or adapt to reorganizations. DOT's Transportation Executive Leadership Institute (TELI) offers senior executives learning opportunities to develop leadership competencies consistent

with organizational business needs and OPM's Executive Core Qualifications. Nearly 50 percent of the senior leaders have participated in the TELI leadership development activities to date.

DOT's Human Capital Plan recognizes the need to develop a corporate recruiting strategy to obtain the competencies needed for its mission-critical occupations. DOT has developed a Corporate Recruitment Plan which provides a strategic, coordinated approach to corporate recruitment. In this approach, Departmental recruiting plans and initiatives will supplement and coordinate OAs recruiting initiatives and ensure accountability for results, alignment of recruitment programs, and inclusion of diversity initiatives. DOT has established a recruitment "Brand" – *Careers in Motion* - to be incorporated in Departmental recruitment materials. In the genre of the *"Be All That You Can Be"* U. S. Army "Brand", this is an effort to showcase ONE DOT as an employer of choice. At the direction of the Secretary, DOT has also developed a Corporate Recruitment Plan for Hispanics – one of DOT's most underrepresented groups. DOT obtained feedback from key leaders of Hispanic organizations and included their comments and suggestions in our recruitment plan.

As experienced DOT employees retire or leave the workplace, the Department will have to hire a considerable number of entry-level workers to replace them. DOT's Human Capital Plan includes plans for a Transportation Career Residency Program—a two-year "residency" designed to recruit high potential college graduates and provide a developmental vehicle for them to learn professional skills to perform our transportation mission. It will be one of the recruitment tools to be used by DOT to hire, retain, and develop exceptional candidates with a variety of backgrounds for effective analysis and execution of our programs, increasingly driven by technology and information.

DOT's Human Capital Plan includes a diversity initiative, *DOT Diversity Action Plan – Sharing the Challenge*, aimed at achieving a diverse workforce and incorporating diversity management into the everyday operation of the Department. The Action Plan includes distinct goals and measures and requires the OAs to develop individual diversity implementation plans. Secretary Mineta has convened a Diversity Advisory Council to report directly to him on the Department's progress in managing diversity.

DOT has developed a Succession Planning Model for all of the OAs to use as a guide. There are three primary measures of success for the approach to leadership succession planning portrayed by DOT's model:

1. The existence of qualified internal applicants for all vacancies that occur in the leadership pipeline. External applicants who are equally or better qualified or meet specific needs may be selected for positions, but an internal talent pool of qualified applicants exists to ensure against potential leadership gaps.

2. Follow-up evaluations and employee feedback through Governmentwide and OA surveys attest to the quality of leaders developed and selected through succession planning processes.

3. Succession planning is an integral part of the OA's and the Department's ongoing, continual workforce planning processes.

The following factors impact the success of DOT's succession planning approach:

- Leadership commitment to succession planning
- Incentives for entering and remaining in the leadership pipeline
- Adequate funding for leadership learning and development
- Integration with, and participation in, related Departmental human capital strategies, as well as new initiatives that are relevant to building a cadre of qualified potential leaders

Given these strategies and commitment to succession planning, we are confident that our leaders and managers will effectively manage people, ensure continuity of leadership, and sustain a learning environment that drives continuous improvement in performance.

○