



UNITED STATES DEPARTMENT OF EDUCATION

OFFICE OF THE INSPECTOR GENERAL

April 12, 2004

INSPECTION MEMORANDUM

To: Phillip Maestri, Director
Management Improvement Team

From: Cathy H. Lewis
Assistant Inspector General
Evaluation, Inspection, and Management Services

Subject: **Completion of Blueprint for Management Excellence Action Item Number 221 (ED/OIG I13D0020)**

This memorandum provides the results of our inspection of one Action Plan item from the Department of Education's (Department's) Blueprint for Management Excellence. The EIMS group is examining several Action Plan items related to Human Capital. Our objective is two-fold: 1) were the items completed as described; and, 2) as completed, does the action taken help the Department towards its stated Blueprint objective. In this report, we examined action item number 221, implementation of a leadership and succession-planning model.

Background

GAO placed strategic management of human capital as a government-wide high-risk area in 2001. One of the four human capital challenges identified by GAO was leadership and continuity planning. The importance of the strategic management of human capital is reflected in the President's Management Agenda (PMA), and the PMA, referencing the GAO report, cites the need for, among other activities, human resources planning to address upcoming retirements, as well as greater attention to recruiting and retaining a highly qualified workforce. This PMA objective is reflected in the Department's own Strategic Plan goal number 6.2.

MIT item number 221, implementation of a leadership and succession-planning model was designated by the Department as "completed" on March 31, 2003. According to the MIT, the designation of "completed" means the MIT obtained documentation from the action owner to demonstrate that the action was finalized.

The action required for this item was to:

“Implement the leadership and succession-planning model by the end of the 2002-2003 rating cycle.”

The comments field for this item states, “Succession-planning model was redefined through the competitive sourcing initiative. One-ED business case analyses analyze roles and responsibilities for business functions. This information is being used for success (*sic*) planning.”

According to the MIT, the products that were the basis for the “completed” designation are the four Business Case Analysis studies done by the Office of Post Secondary Education (OPE), Office of the Chief Financial Officer (OCFO), Office of the General Counsel (OGC), and the Office for Civil Rights (OCR). The other Department offices that participated in Phase One of One-ED were identified for competition under the One-ED plan and, therefore, were not required to complete a leadership and succession plan.

Objective 1: Was the item completed as described?

The four One-ED business cases do not adequately address succession planning.

Finding 1: Leadership and succession planning received little or no discussion in the four Business Case Analysis studies relied upon to close this action item. The OCR study simply states that a succession plan is being developed outside of the One-ED process. The OGC Business Case Analysis also does not create a leadership or succession plan, but merely states that any attorney present could perform the task of any more senior attorney who might leave. Based on our interviews with One-ED team members from these offices, we confirmed that the teams did not focus on leadership and succession planning in the development of their business cases.

Leadership and succession planning typically includes a range of issues, including modernization of the workforce, improving workforce performance, investing in employee training and development, increasing performance and maintaining accountability. None of the plans address these areas. In addition, none of the studies offered a “roadmap” for how the primary office plans to prepare for the departure of key management personnel by fostering a cadre of properly trained subordinates, nor was there any information on how the primary office was prepared to handle the issue of knowledge management. A plan to ensure the continuity of knowledge assets that are vulnerable to the departure of key management positions was recognized by GAO as an element of a comprehensive succession plan.

Each of the four Business Case Analysis studies focused only on one portion of the total mission of each of the offices and none of the Business Case Analysis studies considered the entire spectrum of duties for which the primary office was responsible. For example, the OCFO Business Case Analysis examined its role in the internal audit/post audit process; however, OCFO has many other functions, none of which were reviewed. The OCFO Business Case Analysis included only five FTE from the primary office. OCFO has approximately 291 FTE; therefore, 286 FTE were not considered as part of this analysis.

A recent General Accounting Office (GAO) study¹ cited planning and management initiatives currently being used by agencies in several countries that the GAO believes adequately prepare them for the future. These agencies:

- Link succession planning to strategic planning.
- Identify talent early in their careers or with critical skills from multiple organizational levels.
- Emphasize developmental assignments in addition to formal training.
- Address specific human capital challenges, such as diversity, leadership capacity and retention.

None of these type of actions was observed in the One-ED related documentation provided to us.

Objective 2: As completed, does the action taken help the Department towards its stated Blueprint objective (to improve the strategic management of the Department's human capital)?

Finding 2: While OMB accepted the One-ED report as the Department's Human Capital Plan, the One-ED strategic investment process, as implemented to date, will not yield a comprehensive, consistent strategic approach to workforce planning, including leadership and succession planning. The process results in a stove-piped analysis of a limited number of the Department's business functions. The Department has eighteen primary offices; however, only the four primary offices mentioned above were instructed by the MIT to complete a leadership and succession plan. The other offices that participated in Phase 1 did not address leadership or succession planning at all. To the extent that these issues were addressed, in no business case was there a leadership and succession plan that would enable management to respond to workforce attrition and future requirements and ensure a well-trained staff able to deliver quality services within their component let alone throughout the Department.

¹ GAO-04-127T, testimony before the Subcommittee on Civil Service and Agency Organization, Committee on Government Reform, House of representatives.

In reviewing other agencies' efforts, such as the Internal Revenue Service (IRS) Leadership and Planning model, we found that leadership and succession planning is well suited for an agency-wide effort. However, in the One-ED approach, each primary office appears to be left to define its own leadership and succession plan. This has resulted in the offices reviewed creating widely different (if any) plans, none of which adequately address leadership and succession planning.

A recent GAO report² suggests that leading organizations go beyond a succession planning approach that focuses on simply replacing individuals to 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.

Further, the GAO stated that 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.

The four businesses cases relied upon to respond to this action step did not produce leadership or succession planning models. Even if the discussion of these issues had been more fully developed within their business cases, given the limited scope and the nature of the One-ED process, they would still have not moved the Department toward a comprehensive strategic approach to leadership or succession planning.

Recommendations

1. The MIT should revisit the designation of action item number 221 as "completed."
2. The Department should rethink its use of One-ED to address leadership and succession planning. Even if rewritten, because of the problems identified, the current structure of the business cases would never be able to comply with the criteria for viable leadership and succession plans recommended in the best practices and GAO recommendations cited.
3. The EMT should create Department-wide goals and objectives for leadership and succession planning as part of a comprehensive Department-wide human capital plan that would then be implemented by *all* offices.

² Ibid.

Department Response

We provided OM with a draft report. We inserted applicable portions of the Department's comments after each recommendation and included them in their entirety as an attachment.

The Department response also mentioned "other ED activities." We agree with the Department, our report did not mention the "larger set of strategic human capital management activities underway at ED." Our report was focused strictly on the topic of leadership and succession planning. We found no indication of succession planning in the Business Case Analysis, which was used to communicate this initiative.

Recommendation 1:

The MIT should revisit the designation of action item number 221 as "completed."

Department Comments

The MIT disagreed with our recommendation, stating that the item was completed because "a plan was in place and the process underway." According to the MIT, while information on leadership and succession planning was generally not included in the One-ED business cases, as indicated in their closure justification, it was included in the "as-is" baseline analysis performed by each team and was revisited later in the process by the teams implementing re-engineered solutions. According to the MIT, this document included an assessment of retirement eligibility dates and assessed the entities' potential risk from individuals leaving the organization and the loss of their institutional knowledge. They also noted that "roles, responsibilities, knowledge and skills" were revisited during part 2 of Phase I which began later in 2003 and that this information and approaches to dealing with skill gaps will be included in the business cases prepared in Phase II. According to the MIT, when it updates the current Blueprint "[a]ction items necessary to meet the new PMA scorecard requirement, including leadership development, will be developed as part of this process."

OIG Response

This action item was closed on March 31, 2003, based upon the business cases prepared by OPE, OCFO, OGC and OCR. As discussed in our report, and as the MIT acknowledges, information of leadership and succession planning is not generally included in these documents. To the extent that retirement and knowledge flight risks were assessed as part of the "as-is" baseline documents prepared by the teams, the information is insufficient to address the action item. Each of the four teams looked at only part, and sometimes a very small part, of the business functions performed by that component, so the scope of any information needed for the development of a leadership and succession plan is similarly limited. Further, a leadership and succession plan is more than an assessment of

retirement and knowledge flight risk, or the identification of roles, responsibilities and skills which will occur during the reengineering implementation process or even approaches to addressing skill gaps which apparently will be included in Phase II business cases. Assessment of future skill needs, a systematic approach to knowledge management, a strategy to address skill needs and funding to support implementation of such a plan, how to address recruitment, hiring and retention issues and a multi-year plan to nurture and develop leadership skills are essential elements of an effective plan. We have not modified our recommendation.

Recommendation 2:

The Department should rethink its use of One-ED to address leadership and succession planning. Even if rewritten, because of the problems identified, the current structure of the business cases would never be able to comply with the criteria for viable leadership and succession plans recommended in the best practices and GAO recommendations cited.

Department Comments:

The MIT agreed that it will “review the use of One-ED process to address leadership and succession planning as part of the continuous improvement of that process.” The MIT also, however, commented that there are other strategic human capital management activities underway at ED, that the Department’s larger plan for strategic management of human capital is generally consistent with the strategies suggested by GAO and other agencies” and that the Department will be developing “a plan for establishing a leadership succession pool,” and will continue to implement a recruitment plan process that “will address the need by all offices, in a Department-wide strategy.”

OIG Response:

Other activities being undertaken by the Department were beyond the scope of our inspection activity; however, we have had the opportunity to review several other MIT action items, classified as “completed,” that are related to the strategic management of human capital. As a result of these inspection activities, apart from our concerns about leadership and succession planning, we identified the lack of a comprehensive, Department-wide workforce plan, restructuring analysis, estimate of impact of workforce restructuring on improving program performance or analysis of how to improve citizen access. We also identified significant concerns about the Department’s efforts to provide additional recruitment tools for managers. The proposed leadership succession pool plan is apparently still under development and cannot be assessed at this time; however, absent a comprehensive strategic approach by the Department to human capital planning, rather than the periodic introduction of additional human capital activities, it is unlikely that the Department ever will be able to develop an effective human capital plan.

We have not modified our recommendation.

Recommendation 3:

The EMT should create Department-wide goals and objectives for leadership and succession planning as part of a comprehensive Department-wide human capital plan that would then be implemented by *all* offices.

Department Comments:

According to the MIT, “future plans for leadership and succession planning will be discussed by the EMT.”

OIG Response:

We have not modified our recommendation.

We appreciate the cooperation shown by your staff during our inspection.

January 8, 2004

To: Cathy H. Lewis
Assistant Inspector General
Evaluation, Inspection and Management Services

From: Phillip Maestri, Director
Management Improvement Team

Subject: Draft Inspection Memorandum (December 3, 2003)
Review of MIT Action Item Number 221 (ED/OIG I13D0020)
"Implement a leadership and succession planning model"

Thank you for the opportunity to review and comment on a draft version of this inspection memorandum.

Comments on Background and Findings

One-ED: In this draft memo, OIG describes some limitations that ED encountered by using the One-ED process as a leadership and succession-planning tool; however, One-ED produces more relevant information than is described in the draft memo. There is information in the "As-Is Baseline" analysis and the "To Be" recommendations documents that is not repeated in the Business Cases regarding human capital analysis and planning.

OM describes the relationship between One-ED and human capital planning as follows:

The One-ED process looked at the current state of the workforce involved in the business process under review, and analyzed it from a risk perspective – risk of loss due to retirement and risk of knowledge flight (see paragraph below). The One-ED teams also identified the roles and responsibilities (key work elements, decisions and deliverables) associated with key positions in the process, as well as those within the proposed re-engineered solution. The teams that were directed to implementation by the EMT further explored the roles and responsibilities of key positions in the re-engineered solution.

The Phase I One-ED teams, in their "As-Is Baseline" analysis, performed a process risk analysis that included the risk level for managers' retirement using a risk criteria model that was applied to all of the retirement eligibility dates for process owners/managers, and for all of their potential successors. The model/analysis generated an overall risk level for managers' retirement by looking at the eligibility dates for the managers and the eligibility dates for all of their potential successors. A high rating was applied to those managers/successors with retirement eligibility within next 2 years, a medium rating if retirement eligibility greater than 2 years but less than 5 years and a low risk rating if retirement

eligibility greater than 5 years. Also, knowledge flight/process continuity was addressed to define the potential risk associated with an individual leaving the organization and the subsequent loss of their institutional knowledge defined as “knowledge flight risk.” The model considers the amount of time a person spends on a process activity and the grade level (level of experience) of the person.

The information contained in the “As-Is Baseline” analysis documentation was not generally repeated in the “Business Case Analysis” documentation. Although the teams generally identified roles and responsibilities associated with the key positions in the processes reviewed in Part 1 of Phase I of One-ED (business case), they revisited the roles, responsibilities, knowledge and skills during Part 2 of Phase I (implementation of reengineered solutions).

In Phase II, the teams are incorporating the workforce data in the business case, drawing from the “As-Is Baseline” analysis and the “To-Be” vision. Included in the business case is the identification of the “key” positions and staff names critical to meeting the objective of the process, their retirement eligibility, and the potential successors for the key positions. The teams are identifying skills needs by drawing from the “As-Is Baseline” analysis and comparing to the skills identified for the key positions in the “To-Be” vision. They will address approaches to deal with the skills gaps.

Other ED activities: The draft memo does not mention the larger set of strategic human capital management activities underway at ED. We agree ED’s strategic human capital management approach should take into consideration information such as that OIG quotes from GAO and other agencies. The FY 2004 Blueprint contains 15 action items that work together to promote the strategic management of human capital in the Department. ED’s human capital management activities continue to evolve as expectations from OPM and OMB are refined, clarified, and changed. The Department’s larger plan for the strategic management of human capital is generally consistent with the strategies suggested by GAO and other agencies. Most importantly, as of December 2003, the Department has committed to OMB, as part of the President Management Agenda Scorecard, to “develop a plan for establishing a leadership succession pool.”

Response to recommendations

Recommendation 1: Revisit the designation of Action as “completed.” The MIT designation of this item as “completed” was consistent with the rules the MIT followed for closing action items. At the time the item was designated complete, a plan was in place and the process underway. The MIT will update the current Blueprint at the beginning of the year to reflect current PMA, OMB and OPM requirements. Action items necessary to meet the new PMA scorecard requirement, including leadership development, will be developed as part of this process.

Recommendation 2: Rethink the use of One-ED for leadership and succession planning. OM will review the use of One-ED process to address leadership and succession planning as part of the continuous improvement of that process. In the interim, One-ED will not be the only leadership and succession planning activity underway. The plan to “establish a leadership succession pool” and continued implementation of the Recruitment Plan process will address the need by all offices, in a Department-wide strategy.

Recommendation 3: EMT should create Department-wide goals and objectives for leadership and succession planning. Future plans for leadership and succession planning will be discussed by the EMT.