

Brian Stauffer

# Planning for the next generation

## Article at a glance

As the public sector prepares for a wave of retirements among its employees, designing effective succession-planning solutions becomes more critical than ever.

The most successful government agencies take a proactive approach—establishing a strategic process, looking to a variety of sources to fill key roles, and creatively negotiating HR restrictions.

Public-sector leaders should treat baby-boomer retirements as an opportunity to embed succession planning into their organizations, rather than as a one-time challenge.

*To groom potential leaders, public-sector agencies should institute a strategic succession-planning process, consider a diverse array of candidates, and creatively address HR constraints.*

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and William Wolf**

**Preparing the next generation** for leadership roles is more important now than ever for government organizations. As the data in “Hard numbers” show, governments must be ahead of the private sector in devising large-scale succession plans because their employees are older and retire younger. In our work with public-sector organizations, we have found that those most effective at succession planning do three things. They put in place a strategic process for succession planning—an obvious step that is nevertheless often neglected. They consider a wide range of potential successors for critical positions instead of drawing from just a few trusted lieutenants. And they find creative ways to address HR policies that would otherwise hamper the leadership development that is necessary to good succession plans.

### **Establish a strategic process**

Too often, succession planning is a reactive exercise undertaken only when turnover occurs. The most effective agencies, however, proactively groom successors for critical roles. What is required is a strategic process underpinned by data.

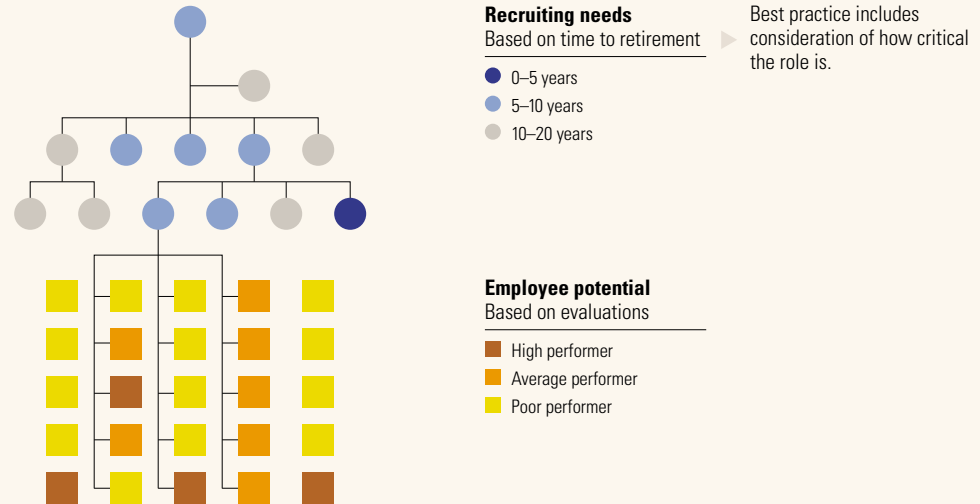
**Hold regular succession-planning meetings.** Senior executives are generally aware of the talent challenges their departments will face in the next five years. By gathering department leaders together for even one meeting a year—a daylong workshop, for example—an agency can bring to the surface its most important human-capital risks and opportunities. The HR department can facilitate such meetings, but department leaders, who know their team’s needs and capabilities best, should take responsibility for developing solutions. A simple organizational chart showing both recruiting needs and employee potential can be a helpful visual tool (exhibit).

Exhibit

## Visualizing needs and potential

A tool for succession planning can help guide leaders during meetings on talent challenges.

Disguised public-sector example



By pooling their insights in a meeting of this kind, the leaders of a European agency realized they were expecting the same 22 people to fill 100 critical roles. Another agency found that each department was expecting a modest shortfall of a particular kind of technical specialist; collectively, these shortfalls required a concerted recruiting effort.

Several large European transit agencies hold weeklong succession-planning sessions three times a year. During these meetings, they identify mid- and senior-level managers who are likely to retire in the next five years and lower-level employees on track for promotion within the same time frame. Rising stars are encouraged to pursue a developmental plan—potentially including opportunities to change roles, move to new locations, or participate in special projects—that will explicitly improve their ability to step into the shoes of a departing senior. If anticipated vacancies outnumber potential successors, the agencies ramp up their external recruiting efforts or offer incentives to likely near-term retirees to stay a few extra years.

**Plan for all critical roles.** Succession planning should account not just for top executive positions or the most specialized jobs but for all roles critical to the organization's performance. In the private sector, these roles are usually associated with revenue or budgetary responsibility. In the public sector, they are not always so clear-cut. They might include not only leaders of large departments but also individuals managing significant reputation risks (for example, those responsible for security in a federal prison) or overseeing important change initiatives. Recognizing this, the government investment arm of Malaysia recently instructed the CEOs of the 20 largest state-owned corporations to identify critical roles and institute structured job-rotation and professional-development processes for managerial talent.

Some organizations look for successors for critical roles many years in advance. Certain civilian divisions of the US Army, for instance, keep a close eye on promising young interns and discuss their development during succession-planning meetings.

**Clearly define requirements.** Organizations cannot select the best candidate for an important job unless they understand what is needed to succeed in it. This often requires painstaking research—including workshops, interviews, and surveys—to identify the professional profiles associated with strong performance. The US Department of Defense convened more than 200 Senior Executive Service members in workshops to establish the competencies required for a range of key roles.

Once the requirements for excellence in specific jobs are clear, organizations can write the job descriptions that will yield the most promising candidates. Job descriptions for specialists should emphasize technical experience and skills; job descriptions for more general roles should emphasize behaviors and values. When a large US government agency realized that technical skills were less important than leadership skills in determining management success, it began using behavioral criteria for selecting managers for promotion. A state-operated industrial company in India recently designed a leadership model and assessment tools that recognized leadership archetypes (for example, “grower,” “turnaround artist,” “steady-state leader”) to support more effective deployment and development of talent.

### **Strengthen the ‘bench’**

Public-sector organizations sometimes view succession planning as a hereditary system—getting the boss’s job guarantees eventually getting the boss’s boss’s job, and so on. The most effective agencies, however, consider many potential successors for critical positions. Not only do they monitor the performance of all high-performing individuals within the organization, but they also look elsewhere for the best talent.

**Develop all high-potential employees.** Executives should expand succession short lists beyond the few trusted lieutenants and usual suspects that everyone considers capable. The best successors emerge when agencies encourage, and seriously consider, applications from all candidates. The key is to seek out and train the most appropriate talent while keeping an open mind toward other applicants and warding off employee grievances. One European agency reviews upcoming openings at senior levels every year and then makes all junior employees with the required expertise aware of them.

Creating new executive positions is another way to test and groom a larger number of potential successors. One South African agency expanded its executive committee to increase opportunities for up-and-coming leaders to work alongside more seasoned executives, and it invests in outside coaching for potential successors.

**Look within the public sector.** A lateral move into another branch of government can be an interesting option for executives who do not yet want to retire and do not have a cabinet-level post in sight. The British government regards its top tier of leaders, the Senior Civil Service, as a talent resource for the entire public sector. Similarly, the US government’s Senior Executive Service gives leaders opportunities to work for different





organizations. For example, the US Office of the Director of National Intelligence has moved several top executives across the various intelligence agencies.

Mobility within and across government branches can help employees become better candidates for certain leadership roles. Many large private-sector companies require high-performing employees to change jobs regularly. Some government agencies are following suit. A few now ask new employees to sign mobility agreements.

**Look to the private sector.** Many seasoned corporate executives see a move to government as exciting in its own regard and as a way to give back to their country. A top HR leader for a large government agency came from BP, and a former logistics executive and financial consultant assumed a challenging new role as CFO of a state transportation agency. There are many such examples.

Pay levels can be a challenge in these situations. Singapore routinely measures civil-service pay against benchmarks from private industry to ensure that people with other career options are attracted to government. The US Congress authorized the Internal Revenue Service to create 40 “critical pay positions”—giving the IRS streamlined hiring authority and the flexibility to offer salaries at the top of the civil-service pay scale for these roles—to attract corporate executives to the IRS for four-year terms. And an African agency woos private-sector executives for short contract periods—enough time to transfer their skills and for them to decide whether to stay for the long term.

### **Negotiate HR restrictions**

While corporations can select and groom specific successors for leadership roles as they see fit, government agencies face more restrictions. Most of the constraints—for example, required postings for every vacancy and employee-friendly grievance procedures—stem from well-intentioned efforts to quash patronage, but they can also inhibit succession planning. Public agencies have used a number of creative approaches to groom future leaders while staying within legal requirements.

**Distinguish among law, policy, and tradition.** All organizations develop norms from a complex foundation of laws, policies, and traditions. As a result, they often assume more practices are set in stone than is actually the case. Some organizations, for instance, simply do not ask workers about their plans for retirement because they fear legal liability. But surveying employees on the subject is not itself illegal and can be an extremely useful exercise as long as the survey questions are in keeping with legal limitations. Some US public-school districts even offer financial incentives for early notification of retirement plans. Sometimes such surveys can prompt immediate action: after polling senior engineers on their plans for retirement, the Tennessee Valley Authority paired near-term retirees with junior engineers to ensure knowledge was smoothly transferred.

At a large Asian state-owned enterprise, the HR team identified more than a dozen practices (for example, constraints on hiring multiple family members or extending expatriate contracts) that were mistakenly believed to be formal policies and that had

been limiting the organization's ability to recruit and retain high-quality talent. The HR team communicated with business unit leaders directly to explode these myths.

**Aggregate data from different sources.** Agency policies dictate the types of data that can be kept in employee records. In one federal agency, HR had no information about staff capabilities because, by law, employees were promoted based on seniority. The training department had to keep its records separate from HR records. But the agency was able to generate useful insights into employees' skills by comparing the average number of employees at a certain seniority level with the average portion of required training completed by staff at that seniority level.

**Create grooming opportunities.** Policies at many public agencies limit how fast an employee can ascend with regard to both position and salary. Some organizations manage these constraints by staffing teams for special projects with their highest-performing employees, regardless of rank or tenure level. Others recruit high-potential individuals into "honors" programs or "special adviser" programs—modeled after management training programs at companies such as Bank of America and Lockheed Martin—that give junior employees full-time exposure to senior executives.

Short-term transfers can also work well, particularly when they are positioned as an investment in organizational leadership and come with a clearly defined assignment and active mentoring from supervisors. One large state-owned organization in Asia has instituted skill-based "guilds," or communities of interest, to encourage and facilitate three-to-six-month project assignments in different departments and knowledge sharing among technical specialists and future executives.

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Initiatives such as these can make a great difference. They will have lasting impact, however, only if the organization's leaders are persistent. Over and above setting in motion the ideas discussed here, public-sector leaders should make a conscious effort to talk about leadership and capability building more often, and they should not shy away from potentially uncomfortable discussions about and with long-time colleagues. They should treat baby-boomer retirements not as a one-time challenge but as an opportunity to embed succession planning into their organization's long-term business processes. ●

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