



OFFICE OF
**INSPECTOR
GENERAL**
UNITED STATES POSTAL SERVICE

Corporate Succession Planning Program

Management Advisory Report

April 23, 2014

Report Number HR-MA-14-006



HIGHLIGHTS

BACKGROUND:

U.S. Postal Service workforce demographics are rapidly changing and a large percentage of its executives could soon retire. Specifically, in fiscal year (FY) 2012, 35 percent of Postal Service executives were eligible to retire and that number will grow to 49 percent within 3 years. To ensure continuity of expertise in executive positions, the Postal Service must identify and develop talented individuals to fill future vacancies. It uses its Corporate Succession Planning (CSP) program to identify and develop top performing employees for new or expanded executive roles.

About 30 percent of potential successors are eligible to retire now, and 73 percent will be eligible in the next 7 years. In FY 2012, management revised the program from a self-nominated to an executive-nominated program and expanded it to include top performers early in their career progression.

About every 2 years, management nominate new employees to the program and measure the program's success by the availability of qualified successors when vacancies arise. In FY 2013 with a goal of 95 percent, the Postal Service filled 94 percent of vacant executive positions with candidates from the CSP program. Of the remaining 6 percent, 4 percent were

postal employees not in the program and 2 percent were external hires.

Our objective was to assess the CSP program and determine whether Postal Service officials are effectively managing it to identify and develop potential leaders for executive management positions.

WHAT THE OIG FOUND:

The Postal Service has established a CSP program that includes many best practices for successful organizations; however, it can improve the program.

Generally, the Postal Service effectively administers the CSP program to identify and develop potential leaders to fill executive management positions. However, we found that 289 days after the approval deadline, management had not approved 621 of the 3,624 developmental activities we reviewed (17 percent). This occurred because some managers did not make approving these activities a priority. These delays hinder potential successors' ability to develop skills they need for leadership positions.

WHAT THE OIG RECOMMENDED:

We recommended management enhance controls to ensure potential successors' developmental activities are approved in a timely manner.

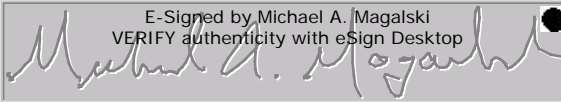
[Link to review the entire report](#)



April 23, 2014

MEMORANDUM FOR: JEFFREY C. WILLIAMSON
CHIEF HUMAN RESOURCES OFFICER AND EXECUTIVE
VICE PRESIDENT

E-Signed by Michael A. Magalski
VERIFY authenticity with eSign Desktop



FROM: Michael A. Magalski
Deputy Assistant Inspector General
for Support Operations

SUBJECT: Management Advisory Report – Corporate Succession
Planning Program (Report Number HR-MA-14-006)

This report presents the results of our review of the U.S. Postal Service's Corporate Succession Planning Program (Project Number 13YG029HR000).

We appreciate the cooperation and courtesies provided by your staff. If you have any questions or need additional information, please contact Lorie Nelson, director, Human Resources and Support, or me at 703-248-2100.

Attachment

cc: Corporate Audit and Response Management

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Introduction

This report presents the results of our self-initiated review of the U.S. Postal Service's Corporate Succession Planning (CSP) program (Project Number 13YG029HR000). Our objective was to assess the CSP program and determine whether Postal Service officials are effectively managing it to identify and develop potential leaders to fill executive management positions. See [Appendix A](#) for additional information about this audit.

Because the Postal Service's workforce demographics are rapidly changing, it must identify and develop talent for future executive positions. According to postal officials, in fiscal year (FY) 2012, 35 percent of Postal Service executives were eligible to retire. They estimate that number will increase to 49 percent within 3 years. To fill the expected vacancies, the agency must make the most of its human capital. The Postal Service uses the CSP program to identify and develop top performing employees for new or expanded executive roles.

In FY 2012, management revised the program from a self-nominated to an executive-nominated program and expanded it to include top performers early in their career progression. About every 2 years, management nominate new employees to the program and measure the program's success by the availability of qualified successors when vacancies arise. In FY 2013, with a goal of 95 percent, the Postal Service filled 94 percent of vacant executive positions with candidates from the CSP program. Of the remaining 6 percent, 4 percent were postal employees not in the program and 2 percent were external hires.

Conclusion

We found the Postal Service has established a CSP program that includes many best practices, but it can improve the program. The Postal Service's CSP program addresses strategic vision, top leadership support, early career development, diversity, and retention, which are recognized by the U.S. Government Accountability Office (GAO) as best practices for successful organizations. Generally, the Postal Service effectively administers the CSP program to identify and develop potential leaders to fill executive management vacancies. Potential successors stated that the program met their expectations and was effective in developing them into leaders. However, we found that management did not always timely approve developmental activities because approving these activities was not a priority. These delays hindered potential successors' ability to develop skills they needed for leadership positions.

Best Practices

The Postal Service incorporated best practices for successful organizations as identified by the GAO.¹ The Postal Service CSP program includes:

- Receiving active support from top leadership – Postal Service executives identify desired skills and competencies for anticipated positions or talent pools. Executive managers² and officers nominate top talent for the CSP program and develop top performing employees. The executive leadership team (ELT)³ — after discussions with executive managers and officers — selects candidates for the program. Also, executive managers must participate in the CSP program via a robust individual development plan (IDP)⁴ that addresses their development needs.
- Linking to strategic planning – The Postal Service uses Delivering Results, Innovation Value and Efficiency (DRIVE)⁵ initiatives to improve business strategy development and execution. DRIVE focuses on strategic initiatives the Postal Service will implement to meet its performance and financial goals. The Leadership Identification and Development DRIVE initiative includes a talent management strategy that identifies and develops the next generation of top performing leaders at all levels of the organization. The CSP program is part of the DRIVE initiative.
- Identifying talent from multiple organizational levels, early in careers or with critical skills – Postal Service executives identify potential successors based on leadership skills needed for the future of the organization. Potential successors must show leadership commitment to growth and development and certain managerial competencies, productivity, and business results. The Postal Service's Leadership Development and Talent Management (LDTM)⁶ team has focused on strategies that identify, assess, and develop the next generation of leaders at all organizational levels. The Postal Service has programs⁷ that develop leadership candidates in positions not served by the CSP program.⁸ During the FY 2012 cycle, management expanded the program to include top performers who are early in their career progression in the leadership pipeline. The expanded program also includes

¹ GAO-04-127T, *Succession Planning and Management Is Critical Driver of Organizational Transformation*, October 1, 2003.

² A Postal Career Executive Service manager who identifies and assesses eligible employees during the talent review process and recommends employees for successor pools within his or her function.

³ A group composed of the postmaster general, the deputy postmaster general, and several senior officers who assist in setting management policy and objectives and approving major plans, programs, and budgets.

⁴ A tool that guides employees as they acquire new knowledge or skills, gain critical experience, and develop the necessary leadership competencies.

⁵ The Postal Service implemented DRIVE as a management process in FY 2010 to improve business strategy development and execution through 24 active key initiatives. These initiatives focus on cutting costs, generating revenue, improving customer experience, and engaging employees and other key stakeholders in organizational change.

⁶ This team supports the organization's strategic plan by identifying and developing the next generation of high-potential leaders, ensuring a diverse and rich talent pipeline.

⁷ These programs include the Executive and Administrative Schedule (EAS) Leadership Development program, the Managerial Leadership program, and the Advanced Leadership program.

⁸ The CSP considers employees in EAS positions 22 and above and Postal Career Executive Series I and II.

coaching and mentoring and more cross-functional developmental opportunities. Finally, in FY 2012, executives identified several talent pools to fill difficult positions and address specialized knowledge and critical skills needs.

- Addressing specific human capital challenges like diversity, leadership, and retention – In its FY 2013 annual report,⁹ the Postal Service stated that it is committed to a diverse workforce, which means building an inclusive environment that respects the uniqueness of every individual and encourages the contributions of people from different backgrounds, experiences, and perspectives. According to a 2013 diversity report,¹⁰ potential successors in the CSP program are more diverse in race or national origin, age, and gender than current Postal Career Executive Service (PCES)¹¹ employees. Also, the LDTM stated the program is viewed as a retention tool. Talented people are more likely to stay when they are identified as potential leaders. According to a 2012 study,¹² developing leaders takes time and effort. Internal candidates are more likely to be successful than external candidates. External candidates are more likely to leave a job, are paid more, and have lower performance ratings within the first 2 years of hiring. Postal officials measure the success of the CSP program by the availability of potential qualified successors when vacancies rise. For FY 2013, the Postal Service implemented a goal of 95 percent talent availability in the corporate pipeline. Management filled 94 percent¹³ of vacant executive positions with candidates from the CSP program during that period.

Individual Development Plan Approval

Managers did not always approve IDP activities in a timely manner. We determined that 17 percent of IDP activities were pending management approval even after the deadline for approval was extended.¹⁴ As shown in [Table 1](#), of the 3,624 IDP activities we reviewed, management had not approved 621 of them as of December 4, 2013, 289 days after the extended approval deadline. This occurred because the Postal Service did not have adequate controls to ensure managers approved IDP activities on time.

⁹ 2013 Annual Report to Congress, dated January 28, 2013.

¹⁰ Corporate Succession Planning Diversity Council Update to Postal Officials, February 2013.

¹¹ The PCES was established in 1979 to develop and maintain a highly motivated, competent group of individuals to fill key executive-level positions and provide the leadership needed for the continued success of the Postal Service.

¹² Study conducted by Matthew Bidwell, assistant professor at the University of Pennsylvania's Wharton School.

¹³ 215 of 229.

¹⁴ The deadline for managers to approve IDP activities for the current 2-year cycle was January 31, 2013. It was subsequently extended to February 15, 2013.

Table 1: IDP Activities' Approval Status as of December 4, 2013

IDP Activities Reviewed	IDP Activities Approved	IDP Activities Pending Approval	Days Late
3,624	3,003 (83%)	621 (17%)	289

Source: U.S. Postal Service Office of Inspector General (OIG) analysis.

The IDP is a crucial component of the CSP process. The potential successor and their manager identify developmental activities and assignments to build the IDP. Managers receive system-generated email reminders advising them that they have IDP activities pending their review and approval. Potential successors cannot begin activities until they are approved. Upon receiving approval for the IDP activities, potential successors can record progress made on developmental activities and revise the IDP with their manager's consent.

Postal Service policy¹⁵ requires that executive managers review and approve, approve with changes, or decline the developmental activities identified in each potential successor's IDP. Managers have the authority to remove those potential successors who are not committed to their development from the CSP program. However, there are no consequences for managers who do not approve IDP activities on time.

According to postal officials, managers could delay IDP activity approvals for many reasons. The main reason, however, is that managers do not make approving IDPs a priority. These delays hinder potential successors' ability to develop the skills and experience they need for leadership positions.

Other Matters

A significant number of possible successors are eligible to retire in the next few years, which might make it challenging to fill key positions. Specifically, we found that 30 percent of potential successors are eligible to retire now and 73 percent will be eligible over the next 7 years. Further, nearly half of Postal Service executives will be eligible to retire over the next 3 years and developing leaders at the executive level requires time. Retirement eligibility is not part of the criteria management consider when identifying potential successors for the CSP program. Postal Service officials said they do not preclude potential successors from the CSP program because they are eligible to retire. Further, successors' retirement eligibility dates may differ from actual retirement dates.

Management redesigned the CSP program for the 2012 open season with a focus on expanding the leadership pipeline to include top performers who are early in their career progression. Management added the "Ready in 5 Years" category and single position talent pools so they could more easily assess the retirement risk of potential successors

¹⁵ Management Instruction EL 384, *Corporate Succession Planning*, January 15, 2013.

for key jobs. Additionally, management created new CSP reports to provide leaders with better visibility into the leadership pipeline. In January 2014, postal officials initiated an interim talent review to assess their talent pools midway through the 2-year cycle and make appropriate adjustments.

We acknowledge the Postal Service's efforts to mitigate the impact of retirement on the availability of talent for future leadership roles. Management must ensure they use the expanded resources to ensure the leadership pipeline remains viable.

Recommendation

We recommend the chief of Human Resources and executive vice president:

1. Enhance controls to ensure managers approve potential successors' individual development plans in a timely manner.

Management's Comments

Management agreed with the recommendation and findings and stated it is a top priority they have incorporated into DRIVE meetings. They have begun implementing enhancements to the IDP system that will raise the awareness and tracking compliance of timely approval of IDP activities. They plan to implement these enhancements by June 30, 2014. See [Appendix B](#) for management's comments, in their entirety.

Evaluation of Management's Comments

The OIG considers management's comments responsive to the recommendation in the report and corrective actions should resolve the issue identified in the report.

Appendix A: Additional Information

Background

Retirement eligibility for executive management positions continues to be a significant risk in the Postal Service. Because the Postal Service's workforce demographics are rapidly changing, the Postal Service must identify and develop top talent for future executive positions. According to postal officials, in FY 2012, 35 percent of Postal Service executives were eligible to retire. They estimate that number will increase to 49 percent within 3 years. To fill the expected vacancies, the agency must make the most of its human capital. The Postal Service uses the CSP program to identify, develop, and prepare top performing employees for new or expanded executive roles in response to this challenge. With many impending executive retirements and considering the numerous years required to develop effective leaders at the executive level, the Postal Service finds itself at a critical juncture in its history. Unless the agency invests in identifying and developing potential successors to build a stronger leadership pipeline, it risks significant operational disruptions.

The Postal Service uses the CSP program to address this challenge. The program's main purpose is to develop and prepare candidates to fill vacant positions. The LDTM team administers and oversees the program.

In FY 2012, the Postal Service streamlined the CSP program by moving from a self-nominated program to an executive-nominated program, which no longer requires employees to complete an extensive CSP application. Other program changes include:

- Implementing a continuous business process instead of a one-time event.
- Integrating talent management processes instead of stand-alone talent management tools.
- Requiring ownership and accountability by each executive instead of ownership by the Executive Review Board.¹⁶
- Requiring identification of critical positions.
- Implementing structured career discussions instead of ad-hoc career discussions.
- Implementing annual leadership reports to the program management group.

About every 2 years, postal officials hold a CSP program open season during which all EAS-22¹⁷ and above employees are considered for nomination into the CSP program. Using validated managerial competencies and a structured multi-step process to ensure the fairness and objectivity of the nomination process, executive managers propose employees who first are reviewed and then selected and placed by the ELT and Human Resources department into executive positions.

¹⁶ A group of PCES managers who review nominees during the CSP application process and recommend potential successors within the officer's function.

¹⁷ Employees, such as postmasters and various managers, who manage postal operations.

To manage the program, Postal Service officials use the CSP System to monitor and track the progress of potential successors, monitor executive managers' participation, maintain talent reviews, and track the overall status of the succession pools. Currently, executives have defined 240 successor pools¹⁸ for leadership placement. Postal officials measure the success of the CSP program by the availability of qualified successors when vacancies arise. In FY 2013, with a goal of 95 percent, the Postal Service filled 94 percent of vacant executive positions with candidates from the CSP program. Of the remaining 6 percent, 4 percent were postal employees not in the program and 2 percent were external hires.

Objective, Scope, and Methodology

Our objective was to assess the CSP program and determine whether Postal Service officials are effectively managing it to identify and develop potential leaders to assume executive management positions. Our scope included assessing how the Postal Service administered the CSP program during FY 2012¹⁹ through FY 2013.

To accomplish our objective, we:

- Interviewed Postal Service officials to gain an understanding of the CSP program.
- Reviewed applicable succession planning policies, procedures, and guidance.
- Reviewed prior audits related to our objective.
- Researched industry benchmark studies related to succession planning and compared them to the Postal Service's CSP program processes.
- Obtained and reviewed available statistics related to CSP program activities.
- Assessed internal controls related to the Postal Service's succession planning activities to determine the program's effectiveness.
- Tracked two candidates through the CSP System to determine the data's validity and whether the required CSP steps had been completed.
- Interviewed four potential successors to determine their understanding of the program and whether it met their expectations.

We assessed the reliability of computer-generated data by interviewing agency officials knowledgeable about the data, reviewing existing information, comparing the data to manual documentation, and tracking two candidates through the CSP System. We determined that the data were sufficiently reliable for the purposes of this review.

We conducted this review from July 2013 through April 2014 in accordance with the Council of the Inspectors General on Integrity and Efficiency, *Quality Standards for Inspection and Evaluation*. We discussed our observations and conclusions with management on March 24, 2014, and included their comments where appropriate.

¹⁸ Successor pools include talent and critical position pools. A talent pool is a group of positions with similar functions, roles, scope, and functional/technical requirements. Critical position pools are specific positions isolated from those groups and deemed particularly crucial based on their impact on the business.

¹⁹ The Postal Service revised the CSP program in FY 2012.

Prior Audit Coverage

The OIG did not identify any prior audits or reviews related to the objective of this review.

Appendix B: Management's Comments

Rosemarie Fernandez
Vice President
Employee Resource Management



April 16, 2014

JUDITH LEONHARDT
DIRECTOR, AUDIT OPERATIONS

SUBJECT: Draft Management Advisory Report-Corporate Succession Planning Program (Report Number HR-MA-14-DRAFT)

We have reviewed the OIG Management Advisory Report (HR-MA-14-DRAFT) on our Corporate Succession Planning (CSP) Program.

Recommendation: We recommend the Chief Human Resources Officer and Executive Vice President:

1. Enhance controls to ensure managers approve potential successors' individual development plans in a timely manner.

Management Response/Action Plan:

We agree with the recommendation that management enhance controls to ensure potential successors' developmental activities are approved in a timely manner.

We have begun to implement enhancements to our Individual Development Plan (IDP) process which will raise the awareness and tracking compliance of timely approval IDP activities. This is a top priority with our Executives and has been incorporated in the DRIVE meetings.

Target Implementation Date: June 30, 2014.

Responsible Official: Susan McKeen, Director, Learning and Development

This report and management's response do not contain information that may be exempt from disclosure under the FOIA. If you have any questions or comments regarding this response, please contact Susan McKeen, Director, Learning and Development at 202-268-2468.

A handwritten signature in blue ink, appearing to read "RF", with a stylized flourish.

Rosemarie Fernandez

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cc: Mr. Williamson
Ms. McKeen
Ms. Haring
CARM Team