



**Calgary**

City Auditor's Office

# **Human Resources - Succession Planning Audit**

**May 24, 2017**

**THIS PAGE LEFT INTENTIONALLY BLANK**

## Table of Contents

<b>Executive Summary .....</b>	<b>5</b>
<b>1.0 Background .....</b>	<b>6</b>
<b>2.0 Audit Objectives, Scope and Approach .....</b>	<b>7</b>
2.1 Audit Objective .....	7
2.2 Audit Scope .....	7
2.3 Audit Approach .....	7
<b>3.0 Results.....</b>	<b>9</b>
3.1 General Manager Positions.....	9
3.2 Director Positions.....	9
3.3 Sampled Business Units .....	9
3.4 Diversity and Inclusion .....	11
<b>4.0 Observations and Recommendations .....</b>	<b>12</b>
4.1 Succession Planning Framework .....	12
4.2 Strengthening the Talent Pool.....	13
4.3 Diversity and Inclusion .....	15
<b>5.0 Appendix A- Risk Mitigation Matrix .....</b>	<b>17</b>
<b>6.0 Appendix B- Example BU Succession Plan Template .....</b>	<b>18</b>

The City Auditor's Office completes all projects in conformance with the *International Standards for the Professional Practice of Internal Auditing*.

## **Executive Summary**

Succession planning is the process by which an organization recruits and develops employees to fill critical business roles. The objective of succession planning at The City of Calgary (The City) is to ensure continuity in key positions and retain and develop intellectual and knowledge capital for the future. Succession planning helps to build resiliency at The City by addressing continuity risk for critical positions while also increasing leadership capacity, employee engagement, retention, and productivity. During periods of significant change or challenge, such as the current economic downturn, effective succession planning ensures there is strong talent pool of personnel available with the corporate values and behaviours needed to lead The City now and in the future.

The objective of this audit was to assess the effectiveness of the succession planning process across the organization. We assessed the effectiveness of the established corporate succession management process for General Manager and Director positions, and a sample of Business Units (BUs). In addition, we reviewed City succession planning practices against external practices.

Overall, our audit testing determined that The City's succession planning process is designed and operating effectively. We identified two areas where processes could be improved to support efficiency and assist in strengthening the talent pool. Firstly, although BUs are encouraged to customize succession planning to meet their needs, we noted inconsistent awareness and use of Human Resources (HR) succession management guidance and tools. Creating new approaches with a lack of awareness of corporate standards and principles could result in an inefficient and inconsistent approach to succession planning. We recommended that HR reinforce awareness and utilization of HR guidance and tools for all City BUs.

Secondly, we observed that the succession planning process is manual and not integrated with other HR systems. Although this is in-line with most external organizations, there is an opportunity to improve efficiency and support early talent identification to increase the talent pool available to The City. We recommended that HR consider leveraging technology in the succession planning process and integrating with other HR systems in the longer-term.

During the course of the audit, we also observed other opportunities for improvement based on interviews with several members of The City's Senior Management Team. We recommended the identification/enhancement of rotational and cross-BU development positions, cross-departmental sharing of best practices, and further manager guidance on candidate readiness assessment and inclusion. We believe management action on these opportunities will further strengthen the talent pool and help identify and develop early and diverse talent.

HR has agreed to all recommendations and has set action plan implementation dates no later than December 31, 2019. The City Auditor's Office will follow up on all commitments as part of our ongoing recommendation follow-up process.

## **1.0 Background**

The City of Calgary's (The City's) Human Resources (HR) intranet site for employees "MyHR" defines succession planning as the process by which an organization recruits and develops employees to fill business critical roles. Succession planning is a key component of The City's talent management framework for attracting, developing and retaining a talented workforce. The objective of succession planning at The City is to ensure continuity in key positions and retain and develop intellectual and knowledge capital for the future that supports Council and City priorities and strategies. The City's philosophy is to develop leaders from within the organization and recruit from outside on an exception basis.

The City Manager and General Managers have overall responsibility for stewarding the succession management process for The City and ensuring succession plans are in place for critical positions. The City Manager is responsible for succession plans for General Managers with support from HR. The City Manager and General Managers conduct a formal, annual review of Director level position succession plans. HR coordinates the succession planning process for Directors and develops succession documentation, spreadsheets, analysis and supporting information.

General Managers and Business Unit (BU) Directors are responsible for succession plans for Manager and Supervisor positions as well as any other critical positions including monitoring the development program on a regular basis, and updating succession plans on at least an annual basis. HR provides supporting tools and guidance to Departments and BUs. The HR Governance Statement allows Departments and BUs to choose the level of their participation in Corporate HR Programs such as succession planning.

Succession planning is critical for identifying and developing an early and diverse leadership talent pool with the corporate values and behaviours needed to lead The City now and in the future. A strong talent pool supports resiliency during periods of significant change or challenge, including the current external hiring restrictions. Succession planning also helps mitigate against other staff risks including retirement risk. As a result, this audit was undertaken as part of the City Auditor's 2016 Annual Audit Plan.

## 2.0 Audit Objectives, Scope and Approach

### 2.1 Audit Objective

The objective of this audit was to assess the effectiveness of the succession planning process across the organization for High and Medium risks identified in the Risk Mitigation Matrix in Appendix A.

### 2.2 Audit Scope

The audit scope included succession plans currently in place for General Managers and Directors. Our scope also included succession plans in place for Managers, Supervisors and other key technical and professional positions in a sample of BUs.

The audit scope excluded the City Manager position since this is a Council responsibility. Components of HR processes such as performance management, workforce planning, learning and development, and diversity and inclusion were included in the audit scope only to the extent that they directly supported succession plans.

### 2.3 Audit Approach

Our audit approach included assessing the effectiveness of the established corporate succession management process for General Manager and Director positions.

The approach to assess the effectiveness of succession management processes for Manager, Supervisor and technical/professional positions and provide insight into the range of succession planning practices across The City included:

- Requesting a survey of HR Business Partners by HR Business Advisory Services to identify which BUs had current documented succession plans.
- Selecting a sample of BUs<sup>1</sup> with a range of succession planning practices that included one BU from each Department<sup>2</sup>:
  - Information Technology, Chief Financial Office
  - Calgary Community Standards, Community Services
  - Fleet Services, Deputy City Manager's Office
  - Community Planning, Planning & Development
  - Roads, Transportation
  - Water Services, Utilities & Environmental Protection.
- Evaluating the effectiveness of succession planning based on the following criteria agreed with HR, as BUs have flexibility with respect to succession management practices:
  - Key/critical positions are identified and targeted in succession plans.
  - Succession planning is an inclusive process open to all qualified candidates.
  - Succession plans are based on positions and competencies required now and into the future and consider City priorities and future direction.

---

<sup>1</sup> BU succession plans tested included over 120 key management, supervisor and key positions and over 180 candidates.

<sup>2</sup> The Urban Strategy Department was not selected for testing since it was created in 2016.

- Succession risk is managed and risk mitigation plans are in place including development plans<sup>3</sup> for candidates for key/critical positions.
- Senior management monitor and evaluate the effectiveness of succession planning.
- Reviewing a wide range of external studies on succession management practices from organizations including The Conference Board of Canada and other municipalities.

Fieldwork included assessment of succession plans and other supporting documentation.

We would like to thank staff from HR for their assistance and support throughout this audit. We also express our thanks to the City Manager, General Managers and Directors and staff in the BUs that we reached out to during this audit for their help and cooperation.

---

<sup>3</sup> Reviewed development for 36 candidates (i.e. approximately 20% of candidates identified in the succession plans tested).



### 3.0 Results

Overall, our audit testing determined that The City's succession planning process is designed and operating effectively.

Consistent with The City's philosophy to develop leaders internally, data maintained by HR indicates that 84% of Directors and 90% of Managers were hired internally during the period from January 1, 2014 to September 31, 2016. The City's succession planning process is focused on candidates ready now and those expected to fill positions for the next five or more years. This approach is considered best practice.

We identified two succession planning process areas where we made recommendations to support efficiency and assist in strengthening the talent pool. Through interviews with several members of The City's Senior Management Team, we also identified further opportunities for Management's consideration to improve succession management.

#### 3.1 General Manager Positions

We assessed the GM succession planning process design through interviews and noted that the process is effectively designed to support an ongoing pipeline of future GM candidates. The City Manager and the Chief HR Officer meet annually and in advance of all contract renewals to discuss GM succession planning. We also noted the successful appointment of internal candidates to GM positions during recent organization changes in 2016, which is a strong indication of bench strength resiliency.

#### 3.2 Director Positions

We assessed the succession planning process for Director positions and observed that the process is well structured and operating effectively.

Succession planning is reviewed for Director positions on an annual basis by the City Manager and General Managers with the support of HR, which includes providing relevant demographic information to assist with an assessment of succession risk. Leadership behavioural competencies are used as reference in succession planning sessions and were recently updated in 2016 to reflect The City's corporate culture and 4 Cs (the essential qualities of Character, Commitment, Competence and Collaboration). In addition, HR supports the monitoring and evaluation of the Director position succession management process for continuous improvement purposes.

The 2016 succession planning workshop identified succession candidates for all relevant BUs, which is a strong indicator of process effectiveness.

#### 3.3 Sampled Business Units

We assessed the effectiveness of succession planning for a sample of BUs against key effectiveness criteria agreed with HR as BUs have flexibility in choosing their succession management tools and practices. This flexibility allows BUs to implement succession planning processes that fully meet their needs.

The succession plans we tested varied in size considerably, included between 10 and 42 positions, with up to 9 management positions, 26 supervisor positions and 8 key professional and technical positions, and listed between 13 to 45 succession candidates. Many BUs prepared formal candidate profiles for use in their succession discussions, or included similar

information in their succession plan summary (see example template in Appendix B), including key areas of strengths and developmental needs (behaviour and technical), job history, and development plans, which we noted was a best practice. Other BUs felt that it was adequate for their purposes to include only basic information in their succession plan documentation, such as position, current incumbent, succession candidate name and readiness assessment. Additional HR documentation relevant to succession planning is kept separately by each candidate's supervisor, including candidate performance and career development plans.

Overall, we observed through our testing that BU succession planning processes are meeting the criteria agreed with HR and noted the following positive practices:

- A survey conducted by HR as part of audit planning identified that 65% of BUs included in the scope of this audit had a current succession plan in place.
- Succession planning included manager positions in all BUs tested and supervisor positions in two of the six BUs tested, which is considered leading practice.
- One BU had a bottom up approach to succession planning that did not formally identify key/critical positions. This streamlined approach was useful for meeting the needs of the BU during a period of significant change.
- All six BUs tested have incorporated, or started to incorporate, the 4Cs into their updated succession planning processes.
- Testing noted evidence of development of candidates relevant to potential future positions.
- The City relies on ad hoc KPI's to monitor the effectiveness of BU succession planning similar to many external organizations. Three Departments review succession planning or hold succession discussions at a Departmental level as well. Other GMs rely heavily on their Directors, particularly where there is deemed to be little cross-BU opportunity.

Although succession planning was widely in place, we noted inconsistent use of HR succession management guidance and tools. We recommended that HR reinforce awareness and utilization of existing guidance and tools for all City BUs (Recommendation 1), which will be particularly helpful to new management who feel that they may need to build their own processes.

The City's succession planning processes are manual and not integrated with other HR systems. Integration with other HR systems is considered leading practice. Where organizations have automated or partially automated succession planning, the most common areas of integration are performance management, leadership development, learning and development, talent acquisition, competency management and career management. We recommended that HR consider whether leading practice benefits would be gained should The City leverage additional technology in the succession planning process and consider integration with HR systems in the longer-term (Recommendation 2).

Based on interviews with several members of The City's Senior Management Team, we identified potential opportunities to strengthen the talent pool through the identification of rotational and cross-BU development positions, sharing of best practices, and issuance of further guidance on candidate readiness assessment (Recommendation 3).

### **3.4 Diversity and Inclusion**

Although Diversity and Inclusion (D&I) was not the focus of our audit, we noted recent HR D&I best practice initiatives during our review, including:

- HR D&I program in 2016 to increase awareness for all employees; and
- HR senior leadership training on unconscious bias awareness.

In addition, almost all leaders interviewed identified that they hire the most qualified candidates for posted positions. We also noted succession planning for three BUs evaluated included steps to identify potential gender barriers as well as ways to overcome perceived barriers to succession planning such as providing interview practice sessions or asking female leaders to identify potential gender barriers to promotion.

Although The City's leading practices may ensure that the succession planning process is equal for all candidates, they may not be sufficient to ensure the process is fully equitable, inclusive, and supports greater diversity representation in the leadership team.

We recommended that HR build on existing leading practices by assisting management with the identification of barriers to inclusion and mitigating strategies to help expand the talent pool through identification and development of early and diverse talent (Recommendation 4).

## 4.0 Observations and Recommendations

### 4.1 Succession Planning Framework

There was inconsistent use of HR succession management guidance and tools in BUs sampled and two of the six BUs were not aware of the HR Succession Management Framework and developed their own processes and tools. Although BUs are encouraged to customize succession planning to meet their needs, creating new approaches may not be aligned with corporate standards and principles, which could result in an ineffective and inefficient approach to succession planning.

We observed that the BUs we reviewed were using a wide range of succession planning tools and practices for Manager, Supervisor and Technical positions. Two of these BUs indicated that they had developed their own tools and practices and weren't aware of the HR succession planning framework and guidance. In addition, although existing HR guidance is available, two BUs identified challenges with transparent communication with succession candidates.

Two BUs tested used their own competency tools and assessments. Consistent use of HR tools and practices may be useful in supporting a rigorous and more collaborative approach to succession planning. Competency tool functionality already exists within the Human Capital Management system that has been implemented for the "Self-Validated Skills" to help identify staff needed in a time of crisis. In the longer-term, using this tool for succession management could further support early talent identification across BUs and increase the candidate pool.

A BU survey completed during the audit identified that 35% of BUs did not have a recent succession plan in place. We interviewed three of the nine BUs without recent succession plans and noted that there had been significant organizational change in these BUs. Reinforcing awareness and utilization of HR guidance and tools will be helpful when these BUs are able to develop succession plans.

Succession planning processes are manual and not integrated with other HR systems. Integration of succession planning with other HR systems could be challenging and involve project implementation costs. However, a lack of integrated systems reduces the efficiency of succession planning and makes collaboration across departments and BUs more challenging.

#### Recommendation 1

The Chief Human Resources Officer utilize the Human Resources Business Partner team to reinforce awareness and utilization of Human Resources Succession Management guidance and tools for all City Business Units.

Management Response

Action Plan	Responsibility
<p>Agreed.</p> <p>HR will make business clients aware of succession planning tools and resources and, where appropriate, support them in the application of succession planning in their BUs.</p>	<p><u>Lead</u>: Chief Human Resources officer</p> <p><u>Support</u>: Manager, Business Advisory Services</p> <p><u>Commitment Date</u>: June 30, 2018</p>

Recommendation 2

In the longer term, The Chief Human Resources Officer consider leveraging technology in the succession management process and integrating succession planning with other Human Resources systems.

Management Response

Action Plan	Responsibility
<p>Agreed.</p> <p>HR will investigate technology options for integrating Succession Planning with other facets of talent management, taking into consideration initiatives underway, and will put forward recommendations and related funding for approval.</p> <p>a) First review following PeopleSoft HCM upgrade</p> <p>b) Second review following Learning Management System Review</p> <p>c) Final recommendation on options and funding (if required) put forward for approval</p>	<p><u>Lead</u>: Chief Human Resources Officer</p> <p><u>Support</u>: Manager, Talent Management</p> <p><u>Commitment Date</u>: September 30, 2017</p> <p><u>Commitment Date</u>: June 30, 2018</p> <p><u>Commitment Date</u>: December 31, 2019</p>

## 4.2 Strengthening the Talent Pool

In 2015, HR identified a need to strengthen the talent pipeline depth for Director positions in their 2015 presentation "Succession Discussion ALT Selected Demographics". Through interviews conducted with leaders during our assessment of established corporate succession management processes for Director positions and processes in a sample of BUs we identified potential opportunities that might help address this concern:

*1. Rotational Development positions:*

Three BUs indicated that they would see value in having rotational Deputy Director positions (or shadowing opportunities) to develop potential successors and support knowledge transfer. Also four BUs saw their Executive Assistant (EA) position as a rotational position

that was helpful for identifying and developing future leadership potential. There may be an opportunity to use other EA positions as a development opportunity in BUs that have traditionally treated these positions as permanent positions.

*2. Career Development Opportunities:*

BUs in departments without a formal departmental review had limited visibility to candidates and development opportunities available outside of their BU (lateral movement). These departments relied on informal networks to identify candidates in other BUs. Senior leadership identified that diversity can vary considerably across BUs. A more collaborative approach to development across Departments and BUs may provide development opportunities to early and diverse talent in the organization.

Also, four BUs identified challenges in providing high potential candidates with development opportunities, due to a lack of movement in leadership or other career path positions in their BU, or due to staff complaints or grievances over perceived differential treatment of employees. Other Departments and BUs had identified best practices that may help address challenges faced elsewhere in The City, for example, one department implemented a cross-BU “relief program” that helped all Managers in the department gain broader experience.

*3. Candidate Readiness:*

Based on our sample of BUs tested, we noted inconsistencies in how candidate readiness is assessed and observed an opportunity for greater clarity and definition on readiness. The City Manager and General Managers have identified that an inconsistent approach to candidate readiness assessment is a potential impediment to identifying early and diverse talent who could move into senior positions more quickly with the right support from Management. HR’s 2015 presentation “Succession Discussion ALT Selected Demographics” identified that The City may be operating with different definitions of “readiness”. A consistent definition of readiness supports movement to other BUs and departments and early identification of talent.

**Recommendation 3**

The Chief Human Resources (HR) Officer consider the following opportunities for improvement:

- a) The HR Business Partner team support Departments and Business Units with the identification of career development opportunities such as rotational positions that could be utilized as strong development and/or cross-functional opportunities;
- b) The HR Business Partner team review and capture best practices and challenges gained through support of Business Unit succession planning activities and share with HR Talent Management, Departments and Business Units; and
- c) Create candidate readiness assessment guidance incorporating leadership competencies, corporate values and behaviours.

Management Response

Action Plan	Responsibility
Agreed.	<u>Lead:</u> Chief Human Resources Officer
	<u>Support:</u> Manager, Business Advisory Services and Manager, Talent Management
a) The HR Business Partner team will support Departments and Business Units with the identification of career development opportunities such as rotational positions that could be utilized as strong development and/or cross-functional opportunities;	<u>Commitment Date:</u> June 30, 2018
b) The HR Business Partner team will review and capture best practices and challenges gained through support of Business Unit succession planning activities and share with HR Talent Management, Departments and Business Units; and	<u>Commitment Date:</u> September 30, 2018
c) Create candidate readiness assessment guidance incorporating leadership competencies, corporate values and behaviours.	<u>Commitment Date:</u> December 31, 2018

### 4.3 Diversity and Inclusion

HR's 2015 presentation "Succession Discussion ALT Selected Demographics" suggested focusing on using a diversity lens and considering systemic biases/barriers to the advancement of a wide range of individuals and groups, which is consistent with leading practice. BUs interviewed indicated that inclusion had not been operationalized into their succession planning processes (i.e. had not applied a diversity lens). There is an opportunity to further advance HR inclusion initiatives across the corporation and provide additional inclusion guidance that will help management identify barriers in succession management processes that may prevent a greater diversity of people from moving forward. This could result in an expanded talent pool and provide greater resiliency when there are organizational changes or economic constraints (e.g. external hiring restrictions).

Other leading practices related to succession planning inclusiveness that may further support the identification and development of early and diverse talent include:

- Using resource groups to develop leadership skills and identify potential leadership talent. Resource groups are also valuable in early talent identification starting with initial hires of those with management potential and on-boarding talented people from underrepresented groups.
- Talent development, mentoring and sponsorship support realizing the full potential of diverse talent. Cross-cultural mentoring programs and cultural competency

training for both the mentors and mentees can help diverse talent make a connection with leadership and support the success of these relationships.

- Setting “non-quota” inclusiveness goals. Examples of succession planning inclusiveness goals could include % cultural-competency training completed, diversity of succession candidates, and benchmarking gender and cultural diversity vs market availability.

#### Recommendation 4

During the next review of the Human Resources Succession Management Framework, the Chief Human Resources Officer consider including additional guidance to assist management with the identification of barriers to inclusion, and mitigating strategies.

#### Management Response

Action Plan	Responsibility
Agreed.  Human Resources will support BUs to identify strategies that promote inclusion and diversity in the succession planning process.	<u>Lead:</u> Chief Human Resources Officer  <u>Support:</u> Manager, Talent Management and Manager, People and Culture  <u>Commitment Date:</u> December 31, 2018



## 5.0 Appendix A- Risk Mitigation Matrix

<b>Business Objective</b>	Ensure continuity in critical/key positions and retain and develop intellectual and knowledge capital for the future that supports Council and City priorities and strategies.		
<b>Risk</b>	The City does not have sufficient personnel available with the right readiness factors (e.g., behaviours, competencies, experiences, aspirations) to fill key leadership and technical/professional positions as necessary.		
<b>Description of Risk Impact</b>	Reduced leadership effectiveness and loss of intellectual and knowledge capital, and skills/expertise impacting achievement of Council and City priorities and strategies or impacting current/future services to citizens, and increased recruitment costs.		
<b>Position Level</b>	<b>Current Controls</b>	<b>Inherent Risk (before controls)</b>	<b>Residual Risk (after controls)</b>
General Managers	Leadership succession plan at GM level supported by HR.	H	M
Directors	<p>The City Manager and General Managers perform an annual review of leadership succession plans for Director positions. A formal process is in place supported by HR, including identification, assessment and development.</p> <p>The Director position Succession Plan is monitored and evaluated by HR for effectiveness:</p> <ul style="list-style-type: none"> <li>a. Size of candidate pool</li> <li>b. Readiness factor</li> <li>c. Internal promotions</li> <li>d. Rate of selection of candidates to fill key positions</li> <li>e. Performance of candidates selected to fill key positions.</li> </ul> <p>HR monitors leadership gender diversity of Senior Management positions and percentage female candidates for Director positions.</p>	H	M
Managers and Supervisors	<p>HR provide guidance, high level roles &amp; processes, and tools to support BU implementation of succession planning for other leadership positions below Director level.</p> <p>HR guidance indicates that workforce planning should be performed by each BU that includes:</p> <ul style="list-style-type: none"> <li>- an environmental scan to consider strategic direction, business drivers/changes, key objectives, and anticipated or known organization challenges</li> <li>- workforce demand and supply analysis to identify workforce risks such as an ageing workforce, retirements, and knowledge loss</li> <li>- development of mitigation strategies, such as succession planning, to address potential workforce risks identified</li> </ul> <p>HR monitors leadership gender diversity of Management positions.</p>	H	M
Technical and Professional	<p>HR provide guidance, high level roles &amp; processes, and tools to support BU implementation of succession planning for key/critical technical and professional positions.</p> <p>HR guidance indicates that workforce planning should be performed by each BU that includes:</p> <ul style="list-style-type: none"> <li>- an environmental scan to consider strategic direction, business drivers/changes, key objectives, and anticipated or known organization challenges</li> <li>- workforce demand and supply analysis to identify workforce risks such as an ageing workforce, retirements, and knowledge loss</li> <li>- development of mitigation strategies, such as succession planning, to address potential workforce risks identified</li> </ul>	M	L

## 6.0 Appendix B- Example BU Succession Plan Template

Candidate	Employee ID	Current Position	Current Division	Most Recent Position Change	Most Recent Position Change Date	Based on Career Dialogues with each candidate and a review of the 4 C's Behavior profile (draft) identify:			
						Key Areas of Strengths		Key Areas of Development	
						4 C's Behaviors	Job Specific / Technical	4 C's Behaviors	Job Specific / Technical
Position 1									
Candidate 1									
Candidate 2									
Candidate 3									
Candidate 4									
Position 2									
Candidate 5									
Candidate 6									
Position 3									
Candidate 7									
Candidate 8									
Candidate 9									
Position 4									
Candidate 10									
Candidate 11									
Candidate 12									

Candidate	Comments (Manager)	Additional Comments From Group Discussion	2016 Readiness: (Now or in 1, 2, or + years)	Candidate Career Preferences/and Proposed Development Options/Opportunities Enabling Continued Growth:
Position 1				
Candidate 1				
Candidate 2				
Candidate 3				
Candidate 4				
Position 2				
Candidate 5				
Candidate 6				
Position 3				
Candidate 7				
Candidate 8				
Candidate 9				
Position 4				
Candidate 10				
Candidate 11				
Candidate 12				