Practical Strategies for Succession Planning and Knowledge Management

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ABSTRACT

Union Sanitary District has implemented a Succession Planning and Long-Term Staffing Program to address the challenges of a shrinking pool of qualified candidates and the loss of critical knowledge with the upcoming retirement of many long-term employees. Our approach differs from conventional models in that USD partnered with the employees' union in developing and implementing the program. Our program goes beyond addressing succession planning of management staff. USD has also been developing succession plans for key individuals such as electricians, mechanics, operators and administrative staff that possess valuable institutional and technical knowledge.

KEYWORDS

Employee development, knowledge transfer, labor-management, long-term staffing, MOU, recruitment, retention, succession planning, training.

INTRODUCTION

Like most public agencies across the country, Union Sanitary District is facing the difficult issues of a shrinking workforce market, retirement of key employees over the next few years, and loss of "institutional knowledge" from retirees and those moving on to new places or new careers. To compound these problems, we are located in the second most expensive metropolitan housing market in the country, making recruitment, retention and competition with private companies even more challenging. Rather than sit back and lament our situation, USD tackled the problem head on. We chose to address the issue using some of the methods proven successful for our organization in the past: clearly define the problem; utilize a joint union-management problem-solving task force; use focus groups to identify needs; develop pilot programs to test the solutions; and evaluate results as we proceed. This paper presents the results of our efforts two years into the program.

Reorganization Through Partnership

In order to understand the succession planning efforts of the Union Sanitary District, it is necessary to review some key history of the organization. In 1996, the District began a three-year

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process to become more competitive, offering the public an alternative to contract operations, privatization, consolidation, or takeover. The redesign of the District was undertaken as a joint labor-management effort.

The District's structure was completely redesigned into a team-based, flatter organization. Staff numbers were reduced through retirement incentives and reassignment of employees to areas of District need. Mid-management and lead worker positions were eliminated; and first-line supervisors were replaced by "Coaches" whose responsibilities emphasized employee learning and growth, support for the new teams, and collaborative problem-solving with employees. An integral part of the District's reorganization into a team-based organization was the strong labor-management partnership.

2001 Memorandum of Understanding between USD and SEIU Local 790

A natural extension of the collaborative efforts of the District and SEIU Local 790 occurred in 2000-2001, when the District's management and Union negotiating teams agreed to engage in interest-based bargaining (IBB) for the first time in the District's history. We learned and applied the techniques of IBB to negotiate an entire labor contract.

Our efforts were very successful. With the help of an outstanding internal facilitator, the District and the Union addressed each party's core issues and reached agreement on several innovative initiatives, including a

- Collaborative recruitment and selection process for all "classified" positions, e.g., those covered by the Union contract
- Safety Initiative Pilot Program
- Sick Leave Incentive Pilot Program
- Alternate Compensation Program for classified employees
- Long-Term Staffing Initiative

Enlarging the role of employees in decision-making was a key element of the District's reorganization into a team-based structure in 1996 and in the initiatives in the 2001 *Memorandum of Understanding (MOU)* between the District and SEIU Local 790. A critical area in which the employees wanted to be more involved was in planning for staffing needs at the District, since they were the ones directly impacted. Prior to the Long-Term Staffing agreement in the *MOU*, all succession planning was conducted entirely by upper management.

Long-Term Staffing Initiative

The purpose of the Long-Term Staffing Initiative was to provide a process for employee input into the succession planning for non-management positions. The District and the Union agreed that the first step was to be trained in the process of determining long-range staffing needs which

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are consistent with the strategic plan. Second, the parties agreed to jointly develop this process, which included steps for review, evaluation, and revision as needed. Next, the process was to be used to determine the District's long-term staffing needs. The last two elements identified were communication with all District employees and the development and implementation of a process for teams to provide meaningful input.

METHODOLOGY

In carrying out the first step of the labor-management agreement on long-term staffing, a joint labor-management team attended a regional workshop led by William Rothwell, whose book, *Effective Succession Planning*, is one of the key texts on the subject of succession planning. The District's five-member team was comprised of the Manager of Technical Services, the Manager of Operations & Maintenance for the treatment plant, the Human Resources Administrator, and the President and Vice President of SEIU Local 790. All of the participants had been members of the negotiating teams and understood the intent of the *MOU* agreement on long-term staffing. It is worth noting that of the numerous public agencies in attendance at the workshop, Union Sanitary District was the only agency that was embarking on succession planning as a joint labor-management effort.

Following this workshop, the five-member labor-management task force reviewed background information, including a list of key positions at the District that would be impacted by retirements within the next three to five years. The group also reviewed literature from the public sector and utility industry about recruitment and retention issues that could result from the impending loss of staff and institutional knowledge. While the retirement of large numbers of staff was a major driving force of Union Sanitary District's development of a succession plan, the task force recognized that it was important to examine other aspects of our organization, including the District's

- strategic plan and its relationship to the succession plan
- organizational structure
- recruitment practices
- approach to training
- employee development and growth initiatives
- recognition and reward programs

Following evaluation of the data, the task force developed a "Long-Term Staffing Strategy." The Long-Term Strategy identified the "driving forces" or "triggering events" that would impact long-term staffing. A driving force/triggering event could be a mandate from the Board of Directors for restructuring or a merger with another agency; a significant regulatory event that would require an increase or decrease in staff, e.g., a requirement to implement tertiary treatment; a change in the core function of the District; work group restructuring; or early retirement impacts, among others.

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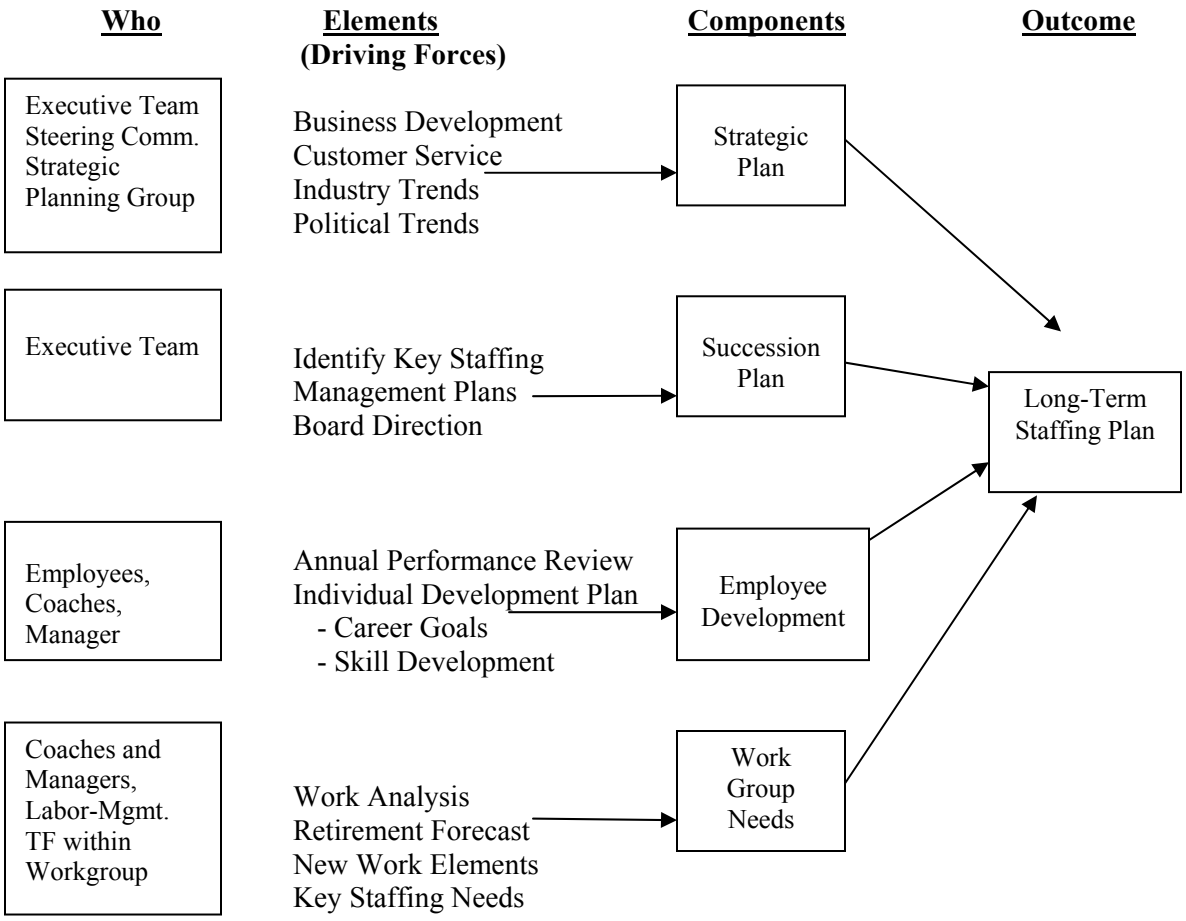
The Long-Term Staffing Strategy relates to key "components" of the District's overall strategic efforts, including the Balanced Scorecard (the District's strategic plan), succession plan, employee development initiatives, and work group needs. Additionally, the Strategy identifies which parties in the organization are the key decision-makers for each organizational component.

The Succession Plan was to be one component of the District's overall Long-Term Staffing Plan. The Long-Term Staffing Strategy is shown below in Figure 1.

Figure 1 - Union Sanitary District's Long-Term Staffing Strategy



The Long-Term Staffing Labor-Management Task Force also developed a **Decision Flowchart**. The purpose of this flowchart was to identify the steps to be taken if a triggering event occurred; the actions the parties would take; and the communication that would take place with all District employees. The Decision Flowchart also identified a process for the biennial review of the driving forces for long-term staffing. The Long-Term Staffing Decision Flowchart is shown in Figure 2 immediately below.

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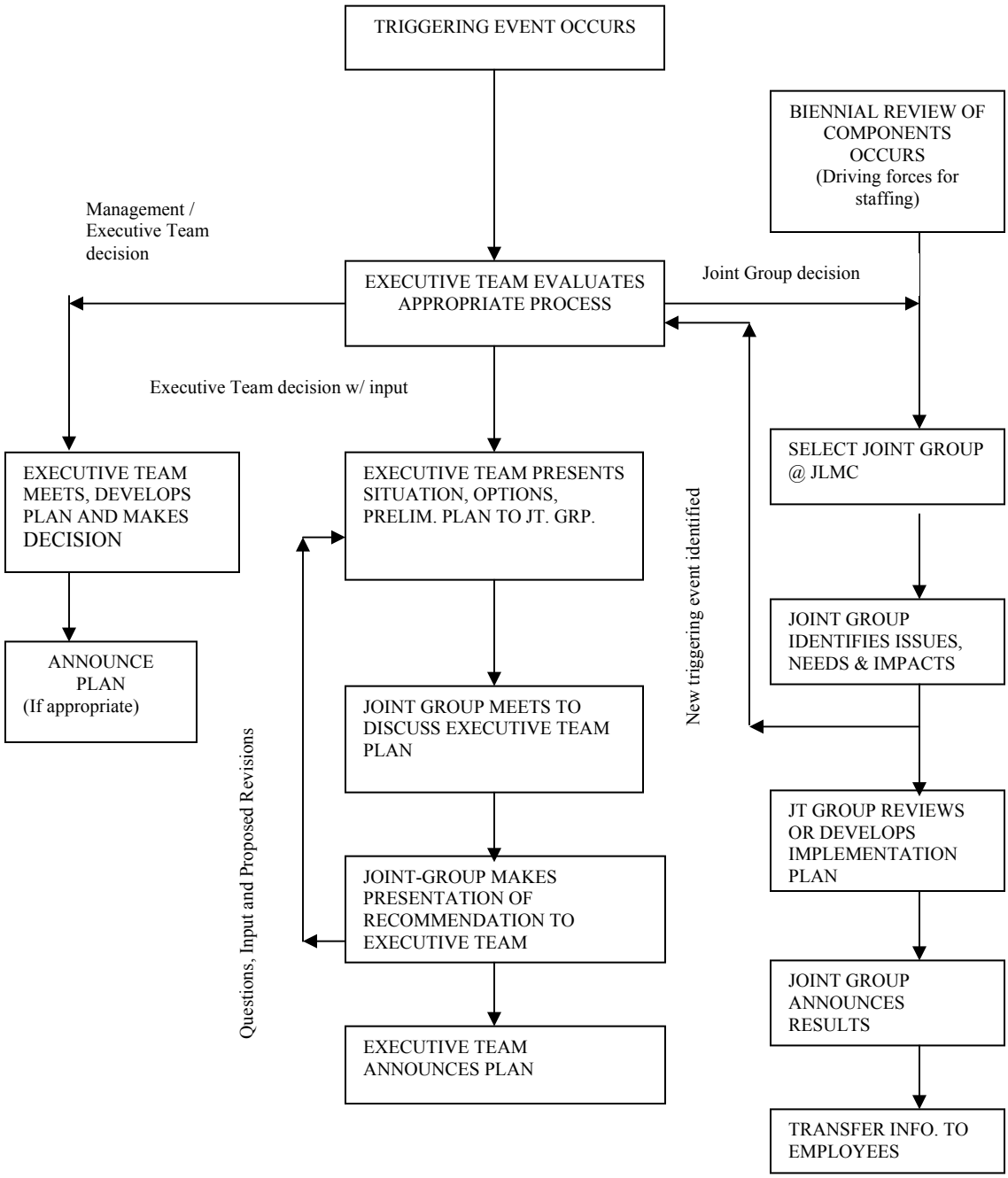
Figure 2 – Long-Term Staffing Decision Flowchart



The findings and work products of the Long-Term Staffing Task Force were presented to the Joint Labor-Management Committee (JLMC) in June of 2002. The Executive Team had undertaken succession planning for management positions at the District during this same period. This was a more typical succession planning effort, consisting of identifying the best candidate to succeed each manager and developing a mentoring and training program to prepare them for the future.

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Putting the Tools to Work

At the April, 2003 JLMC Meeting, the Executive Team identified three triggering events that were occurring and requested that a joint group be formed to follow the long-term staffing decision process described in Figure 2. The triggering events were the:

1) potential increased retirements due to PERS retirement program enhancements recently enacted
2) large number of key classified employees who would be retiring in the next few years, and
3) potential impact from the economic downturn in California and the local area.

The Executive Team indicated that they were requesting employee input and recommendations as described in the center path of the Long-Term Staffing Decision Flowchart (Figure 2).

Make-up, Mission, and Scope of Work of the Joint Labor-Management Task Force

The Joint Group was comprised of the General Manager; Collection Services Manager; Union President, Union Vice President; the Human Resources Administrator; and an unclassified, professional staff member. The Task Force's mission was to obtain input from employees on what they saw as critical succession planning elements and trends in the industry that impact classified and professional, non-management staffing. This included identifying key staff members who might be retiring or otherwise leaving the District in the next three to five years, and key knowledge the District needs to retain after these individuals leave.

Data Collection

An important step in our problem-solving process was to gather information from within and outside the organization. This helped to validate our definition of the issues, define the magnitude of the program, and gather ideas from other organizations. The task force collected and reviewed the following data:

- USD's demographic data
- Certification requirements of various District classifications
- Number of Grade III Wastewater Treatment Plant Operators who were currently employed throughout California
- Employees eligible to retire in the next five years, and the numbers of current employees who were cross-trained to provide "back-up" in the event of the key employee's retirement or separation from the District
- Key skills and knowledge employees throughout the District were concerned about losing now or were concerned about needing in the future
- Results of a survey of Plant Operators on retention and advancement issues
- Literature from professional publications, other wastewater agencies, and experts in the field of succession planning

The task force members conducted a brainstorming session with our facilitator to come up with important elements of the program. The brainstorming included identifying key classified and

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unclassified staff for development of succession plans. We also identified critical knowledge and skills that could be lost if key employees were to leave the District.

Focus Group Input

One of the most important means the task force developed to gather this critical information was to establish two focus groups. One group consisted of staff from the operations groups (treatment plant, collection system and maintenance) and the other from administration (business services, technical support and customer service). The members of the focus groups were Team Coordinators from each of the District's 13 teams, or their designated representatives. These were primarily classified staff and a few professional staff. Prior to participating in the focus groups, each representative was asked to meet with his/her team and gather input to the following questions:

- What critical skills are we likely to lose in the next five years?
- What new skills are we likely to need in the next five years?
- What ideas do you have to address the issues of retention, recruitment, and skill development?

The focus groups met to share information gathered from their teams and build on each others' presentations. Ideas were presented in a round-robin format. The group was led by an internal facilitator who listed the ideas and helped draw out information and clarify the points made. This proved to be a very valuable exercise and served to provide new ideas for the Task Force and validate (or invalidate) others previously developed.

Some of the significant elements from the focus groups included:

- Identification of specific individuals whose knowledge was considered of great value to the employees for whom a succession plan was ultimately developed
- Operational techniques or unique knowledge about equipment, underground utilities or electrical circuitry that were not on paper but held by some individuals, whose loss to USD would result in a loss of that knowledge
- Ideas on how to capture and document knowledge from retiring employees

RESULTS

Five Categories of Critical Need Identified

The task force determined that all of the identified needs could be placed in five categories of critical needs:

1. Develop a More Formal Plan for Staffing
2. Attract Skilled Employees

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3. Retain, Develop, and Replace Skilled Employees
4. Capture and Document Information in a Way That's Accessible When Needed
5. Capture and Transfer Critical Knowledge

A consistent format was developed for addressing each of these critical needs and for each set of recommendations.

- The areas where the need was deemed most critical and/or the classifications most affected by this need were listed and categorized in terms of criticality (a = critical, b = very important, c = important) and the timeframe for addressing this critical need (within 12 months, 13-36 months, or 37-60 months) was specified.

- Strategies that were working and should continue and/or be expanded were identified.

- Additional approaches for addressing each need were recommended. A timeframe for the possible implementation of each approach was provided, using the same criteria as were applied to the affected classifications.

In the paragraph below we discuss each of the critical needs and identify some of the key actions as well as new initiatives the District has undertaken to address each of these needs.

Critical Need: Develop a More Formal Plan for Staffing

The Task Force concluded that the long-term staffing process outlined in the *MOU* was working well and provided for the input by District staff to the planning process related to non-management staffing. Also important was the strategic succession planning process undertaken by the Executive Team.

The Task Force considered the new Training Plan an important part of the District's succession planning and determined it would play an increasingly important role as its development and implementation take place over the next several years. Currently, "Job Competency Requirements" (JCRs) are being developed in the collections, maintenance, and operations groups. A JCR defines the knowledge, skills and standards required for effective performance. Also being developed are competency assessment tools used by management and other technical experts qualified to evaluate the ability of the employee to complete a series of tasks found in a JCR.

In addition to the activities noted above, the Task Force recommended additional ways of addressing the critical need to develop a more formal plan for staffing. These included:

- Emphasizing succession planning/long-term staffing in the District's strategic planning documents (Balanced Scorecard and Implementation Timeline)
- Streamlining the process for recruiting by developing selection strategies and recruitment materials prior to the resignations of key employees
- Developing contingency plans for unexpected resignations of employees in critical positions

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- Capturing agreements from past planning efforts and storing them where they can be easily accessed
- Identifying future staffing needs, assessing where we are now, performing a gap analysis, and planning to close the gap
- Using casual employees (who work less than 20 hours per week) or retirees as a contingency on an interim basis until we can find qualified full-time employees
- Offering incentives for early notification of retirement or separation

Critical Need: Attract Skilled Employees

In addition to the classifications most affected by this need, the Task Force identified what was working currently and should be continued and/or expanded. These included:

- Maintaining competitive salaries and benefits, including excellent retirement benefits
- Offering flexible work schedules
- Creating new, untapped pools of applicants, e.g., through the development of the Plant Operator III Trainee program, to attract candidates from outside the wastewater treatment field, and train them to meet the competency standards for Plant Operator III within 24 months
- Promoting USD's team-based, collaborative culture
- Providing job security, which is of particular interest to those coming from the private sector
- Promoting the District's Alternate Staffing Program, through which an employee can promote to higher-level classifications as skills, competencies and certifications are obtained
- Stressing the Pay-for Performance Plan for professional, confidential and management positions, which provides additional merit compensation

Additional ways the Task Force identified to address this need was to:

- Focus on recruiting individuals with outstanding interpersonal skills
- Rehire retired employees
- Create intern opportunities
- Create alliances with high schools, colleges, and trade schools
- Emphasize the benefits identified above
- Advertise the opportunities for additional compensation available to classified employees through the Alternate Compensation Program. This program was developed by a joint labor-management task force using interest-based problem-solving methods. The parties agreed that $50,000 would be allocated annually to provide monetary awards to employees or groups of employees that establish and meet planned goals for activities that provide a benefit to the District, or that go "over and above" their routine work to benefit the District, its customers, or employees. The key relationship between the Alternate Compensation Program and the goal of attracting (and retaining) classified employees is that the program provides a vehicle to reward unionized employees beyond

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the traditional, five-step salary range for performance that is "over and above" that required by their class description.

Critical Need: Retain, Develop, and Replace Skilled Employees

In addition to the classifications most affected by this need, the Task Force identified what was working currently and should be continued and/or expanded. These included:

- Plant Operator III Trainee, Alternate Staffing, and Flexible Work Hours programs
- Employee training opportunities
- Team Coordinator opportunities, a rotating leadership position chosen by members of each team
- Commuter Assistance Program
- Salary, benefits, and collaborative culture

Additional ways the Task Force identified to address this need was to:

- Hire the right person by emphasizing interpersonal communication skills and their ability to fit with the team-based organization
- Offer employees close to retirement opportunity to work a flexible schedule and/or work fewer hours
- Create non-management promotional tracks with positions that offer the potential for greater earnings and more challenging projects (e.g., a non-supervisory Principal Engineer classification was recently created)
- Create Individual Development Plans for all employees

Critical Need: Capture and Document Information in a Way That's Accessible When Needed

Among the most critical needs identified were to document 1) treatment plant utilities, 2) the condition and/or modification of equipment at the plant and pump stations, and 3) the history of decisions about specific circumstances affecting the work, individual customer requirements, and HR and employee relations activities. Many of these needs were already being addressed, including the utilization of GIS and the Computerized Maintenance Management System (CMMS) to capture information on the collections system, facilities, equipment, and fleet.

Additional ways of addressing this need include:

- Building information documentation into day-to-day processes
- Ensuring that critical information, such as information on hard drives, is backed up daily
- Expanding the use of GIS and CMMS
- Creating a data directory for hard copy and computerized information
- Organizing the Common computer folders into a logical structure so employees can find what they need

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Critical Need: Capture and Transfer Knowledge

The Task Force identified specific areas where the District would be losing the most senior, knowledgeable District technical expert within the next three to five years. These areas include Purchasing, Electrical Maintenance, Risk Management, Payroll, Construction Inspection, and Plan Checking.

The following is a list of activities the Task Force identified as working well and should continue and/or be expanded:

- Cross-training and mentoring
- Identification of back-ups for critical products and services
- Rotation of tasks and responsibilities within a team
- Sharing of information, problems, and experiences at team meetings

Additional ways of addressing this need include:

- Capture knowledge and build it into-day-to-day work processes (Don't wait until an employee is ready to leave.)
- Encourage employees to document tips, problems, etc., i.e., information not likely to be included in written SOPs
- Hire replacements sooner so that the person leaving can train their replacement (which we have already put into practice in a number of instances)
- Task employees in critical positions to work with their Coach to develop their own plan to capture and transfer knowledge
- Perform after-event debriefs and document learnings
- Develop written SOPs or process flowcharts for critical processes
- Tape record or video processes

IMPLEMENTATION OF RECOMMENDATIONS IN FY 2006 AND BEYOND

The Long-Term Staffing report developed a total of 25 recommendations, which were then shared with the Executive Team, which gave additional direction on priorities and available resources, and the Joint Labor-Management Committee. Of the 25 recommendations made by the Task Force, all but one were accepted—because it would require contract negotiation.

Implementation activities were created to address each of these issues, and projects were assigned to various individuals and groups.

Among the many implementation activities for FY 2006 are the following:

1. The Executive Team approved the hiring of replacements for key employees substantially sooner than had been done in the past in order to facilitate knowledge transfer (up to one year in advance).
2. Human Resources has implemented and/or expanded many of the recommendations relating to recruitment and retention. For example, recruitment materials have been

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enhanced to focus on communication skills, team skills, and the candidate's fit with the organization.

3. HR has developed a policy for the rehire of retirees, and the first two retirees ever have been rehired to train their replacements.
4. The employment of a District Intern has been extended in order to "fast-track" development of the Job Competency Requirements and Competency Assessments that are critical components of the District's Training Plan.
5. The documentation of treatment plant utilities and the expanded use of GIS and CMMS are ongoing projects for several key employees.
6. The Information Technology Team has developed and implemented a process for retention of critical computerized information.
7. Long-term staffing has been added to the District's strategic plan and timeline.
8. Contingency plans will be developed for unexpected resignations/leaves of absence of employees in critical positions.
9. Plans for the capture and transfer of knowledge of retiring employees in critical positions are being developed in four key areas.

Knowledge Transfer Pilot Projects

This last recommendation was referred to the District's Steering Committee to ensure that implementation would take place in a timely manner and that these efforts would be adequately documented in order to serve as models of knowledge transfer practices in the future.

Four critical positions were identified where a key employee was retiring within the next 3-15 months. The positions were the Purchasing Agent/Risk Manager; the senior Plan Checker; an Electrician with extensive knowledge of all District facilities and equipment; and the Facilities Mechanic (a one-position, specialized mechanical maintenance position within the Mechanic classification).

Individual Steering Committee members met with these employees and their Coaches (first-line supervisors). They requested that the employee work with his/her Coach to develop a transition plan that would be part of the pilot project for knowledge transfer.

These plans were to include:

- Hiring strategy: when and how to recruit, which knowledge, skills, & abilities are most important, and how much overlap is necessary before retirement of the key employee
- Criteria for determining what knowledge is most critical to be transferred
- Preliminary list of what needs to be transferred (fundamentals, systems, processes, history of decisions)
- Methods for capturing and transferring knowledge, and the employee(s) responsible for performing these tasks
    - SOP's, video, training manual, etc.
    - OJT, off-site training, mentoring
- Process to measure success

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Results of Pilot Projects

Although the four groups of retiring employees and their Coaches were not equally successful with their knowledge transfer processes, many "Best Practices" were identified, as well as areas for improvement. These included:

- When recruiting, screen for interest, enthusiasm, and willingness and ability to learn rather than focus on experience in all job responsibilities.
- Increase the level of involvement of the retiring employee in developing the knowledge transfer plan.
- Involve others in the knowledge transfer process, not just the mentor (retiring employee) and trainee (new hire, where the successor had already been hired).
- Transfer to a broader group, not just one individual, so that the organization is gaining additional cross-trained employees and a greater "depth" of knowledge.
- Make sure that the retiring employee knows that he is valued.
- Develop a written plan for training, including who, what, how, and when.
- Be sure to have a high level of Coach involvement. Weekly check-ins are helpful.
- Create written documents where none existed previously, e.g., SOPs and "scripts" for complex computer applications.
- Arrange for the retiree and new employee to work side-by-side for a sufficient amount of time for knowledge transfer to occur and for the retiree to provide information to the Coach on the successor's strengths and areas where improvement may be needed.
- Bring back the retiree for a short time to answer questions and address any issues that occurred after their departure.

Each of these areas is being addressed in the current knowledge transfer projects.

Proposed Next Steps

In addition to the knowledge transfer projects and other FY 2006 activities described above, during the next Strategic Planning Cycle, the Executive Team will be utilizing the knowledge and information gained through the Long-Term Staffing work that has occurred over the past two years. Additionally, the development of Job Competency Requirements and competency assessment tools for the operating groups will continue; a system for information and document control is on the future projects list; the Plant Operator III Trainee Program is being expanded; creation of a non-management, technical expert promotional track will be further defined and explored; expansion of GIS and CMMS will be ongoing; and better organization of District information is both a current and future project.

This past year, the District also expanded our training program, both in the areas of safety and technical training, but also in the "soft skills." For the first time, the District offered two major onsite programs in leadership: Leadership School I for "rank-and-file" workers who wanted to enhance their leadership skills in the field and Leadership School II for employees interested in promoting into management. Leadership School I had 18 participants in four half-day sessions; Leadership School II had 25 participants in six half-day sessions. This was a clear example of the District's commitment to the Learning and Growth element of our Strategic Plan, since more

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than 1/3 of the District's entire workforce participated in these leadership development activities! We believe that our commitment to employee development may assist the District to attract and retain exceptional employees.

Successful programs like the Alternate Compensation Program; the Flexible Work Hours Program; Alternate Staffing Program; and high involvement and participation of District staff in various team, work group, union-management and organizational initiatives will continue to be a hallmark of Union Sanitary District's collaborative workplace culture. Finally, the District is in the process of participating in the QualServe Peer Review process, so that we can learn more about our organizational strengths and areas where we might improve. This process once again will require the participation of District employees at all levels of the organization and in all functional areas. We anticipate that the staff of Union Sanitary District will work together to implement improvements so that the District continues to be an organization that attracts, motivates, and rewards outstanding employees, thus ensuring that the long-term staffing needs of the District are met.

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