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# **The Importance of Succession Planning in Local Government**

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## **Abstract**

All organizations benefit from succession planning. Succession planning is the process used to identify critical roles, skills, and knowledge in your organization and to develop a plan for employees to step into those roles when they become vacant. Due to limited personnel, resources, and budgets, and the belief that succession planning is costly and complex, succession planning is often left unaddressed in smaller cities. Even with limited resources, succession planning adds value to smaller organizations. An analysis of the current talent within a given organization can aid in developing backups and potential successors for any critical roles. Maintaining competitive salaries with labor markets is not feasible for smaller organizations, which makes succession planning much more important. Having development programs, cross-training, and mentoring programs inside of succession planning allows an organization to develop and retain potential successors. Organizations risk losing institutional knowledge, performance, and organizational stability without succession planning.

## **Introduction**

What would it mean to your organization if a valued employee left it? What challenges would your city face? Are you prepared to lose the institutional knowledge that the employee has obtained through their years of experience? When a valued employee leaves your organization, the processes, procedures, data, and values your organization has developed are at risk. An old saying explains the inherent benefits of succession planning best: if you fail to plan, you plan to fail.<sup>1</sup>

## **History**

As a seventeen-year employee of the City of Dayton, Texas, we have witnessed a high turnover rate which has affected the stability of our organization. During my career, 628 employees have separated from the organization and 635 employees have been hired. We currently have 94 employees, of which 29 are at the management/supervisor-level. Fourteen of those employees are eligible to retire within the next five years. Only ten management/supervisor level employees have been with the City for more than ten years. Succession planning is needed to maintain institutional knowledge, history, and stability in the organization.

Succession planning does not have to be a costly endeavor. However, the organization may suffer substantial costs in terms of lost knowledge of organizational history policies and procedures if left unaddressed. It may also suffer from decreased performance and customer satisfaction. With some small steps, organizations can position themselves for sustained service delivery and stability.<sup>2</sup>

Competitive salaries remain one of the driving factors of the high turnover. Because of this, the City of Dayton has developed several programs over the last two years that will aid in developing and growing its staff. These programs include the “Take Your Co-Worker to Work” Mentor Program, Emerging Leaders Group, and continued enrollment of leaders in the Texas Certified Public Manager Program through Stephen F. Austin State University. These programs have provided our staff with valuable leadership skills, knowledge, and education that increases opportunities for the team’s advancement within our organization. These programs will prove invaluable in succession planning and allow the organization to promote from within. With these programs in place, our goal is to grow, develop, and prepare our future leaders.

## **The Importance of Succession Planning**

When an employee in a critical role separates from employment, the processes, procedures, data, and values the organization has developed through this employee are at risk. Promoting from within lessens this risk to the organization. Critical roles belong to those in leadership positions and tend to require specialized knowledge and skills, which correspondingly means it takes longer to train a successor.

Although promoting from within can provide a seamless transition and boost morale, it does not always mean it is the best choice for your organization. An organization must weigh the advantages and disadvantages and decide if it should promote from within or go outside the organization to find successors for vacancies.

### **The Advantages of Succession Planning (Promoting from within)**

When you promote from within an organization, a culture of opportunity is created, and employees tend to work harder to achieve career goals. Employees see the value of a long-term commitment to an organization. Because of this, promoting from within can provide employees the ability to create a plan that incorporates the interests of the organization. The City of Dayton has experienced both the advantages and disadvantages of promoting from within, and we have experienced both success and failure. There are several advantages of promoting or transferring from within the organization:

- Provides career paths for current employees.
- Saves on the cost of ads, posting, and search fees.
- Boosts morale.
- Can create a “domino effect” that results in several internal moves, which can be highly motivational for current staff.
- Requires less onboarding time/effort because employee already knows the culture.
- You already know about the employee: skill set, work ethic, and career goals.<sup>3</sup>

Our most successful promotion was with an employee who worked part-time in our finance department alongside pursuing a psychology degree. Working in the finance department provided the employee with the experience, skills, and institutional knowledge for a new career path. Moving forward five years, the employee was promoted to accounting clerk. The city has since updated the employee's succession plan to include continued growth and development, and they are now on track to be promoted again to the Staff Accountant position upon completion of a

Master's Degree in Accounting. This employee who once was unsure of a career path found one within the organization thanks to the department's plan to foster growth and development while providing the necessary tools to succeed in their job. With continued training and development, the employee may obtain the position of Finance Director and be able to move into the role with institutional knowledge and be a great success.

### **The Disadvantages of Succession Planning (Promoting from within)**

Promoting from within the organization can lessen the risk of losing institutional knowledge, but there are several disadvantages. Advancement from within may save organizations a great deal of time, however, any off-the-shelf framework is unlikely to capture the complexity and uniqueness of your organization adequately.<sup>4</sup> There are disadvantages of promoting or transferring from within:

- May not bring new ideas/new ways of doing things to the organization.
- May result in a significant need for employee development.
- May pit employees against each other as one gets the promotion.<sup>5</sup>

The city has experienced several successes in promoting from within, however, failures are often noticed as well. The unsuccessful promotions do not have to remain. The employer and employee can make the best of the experience and part ways. Unfortunately, not all succession planning failures result in organizational learning. In Dayton, several employees were promoted only because they were next in line on the organizational chart, despite lacking the skills necessary to perform the job successfully. Promoting an employee above their level of competency is often referred to as the Peter Principle. Based on the Peter Principle, if you perform well in your job, you will likely be promoted to the next level of your organization's hierarchy, and will continue to be promoted until you reach a position where performance begins to suffer.<sup>6</sup> The employee is now in a position above their level of competency, and although very successful in their last role, they find themselves with a job they cannot handle. Employees in this position often feel like they have been set up for failure, which leads to them becoming less productive, and they then face demotion or leaving the organization. Some employees might experience embarrassment, low morale, and a slight decline in job performance. Sometimes, when employers promote employees to a position they are not prepared to handle, demotion is necessary to prevent employee separation or disengagement. If the employee's demotion is to status within their competency level, they can work toward additional training and eventually confidently advance into the job from which they were demoted.

We have had four employees that should not have been promoted and are still with our organization. We fostered growth and gave them an opportunity, but in the end, they were a better fit for their previous position. The employee can continue to grow and develop in their current role. The organization's structure, processes, and procedures are not compromised, and the employee can continue to improve their growth and development.

### **Institutional Knowledge**

Institutional knowledge combines experiences, processes, data, expertise, values, and information possessed by the organization's employees. It can span decades and comprise crucial

trends, projects, and perspectives that define an organization's history.<sup>7</sup> Every organization should develop a method to collect all of the institutional knowledge employees have developed during their tenure, which should be made available to all employees in the organization. By capturing this information, employees have the opportunity to learn from the experiences of others.

### **The Importance of Institutional Knowledge**

Institutional knowledge is essential and can increase retention by providing employees with the training and expertise required for success. Paper or digital documents and wisdom gained from experiences are all types of institutional knowledge that can be lost if it is not transferred. Transferring knowledge can be done by direct training or captured in a documented form. Losing institutional knowledge has the potential to be detrimental to an organization's success. When this knowledge is lost, organizations risk losing stability and momentum. Organizations will always have changes in their operations, and when given the right tools, training, and most importantly well-documented institutional knowledge, employees can adapt more efficiently and have a greater chance of being successful when promoted to new roles.

### **Preserving & Transferring Institutional Knowledge**

Once the organization has identified critical roles, you can begin capturing the institutional knowledge that the employee has developed. Standard Operating Procedures (SOPs) are one way to preserve and transfer institutional knowledge and avoid loss of stability in your organization. SOP manuals can reduce a successor's learning curve and training time while achieving consistency. The City of Dayton's first step was to create SOPs in critical positions such as accounts payable, utility billing, and payroll. The SOPs include detailed daily, weekly, monthly, and annual processes required for each job. Employees created SOPs with written instructions and visual elements throughout the steps.

The second phase of the process is testing. Testing can easily be accomplished by having another employee within your organization utilize the SOP to complete a process. We successfully achieved this by having a part-time employee use the Accounts Payable SOP to process invoices. The part-time employee was able to provide feedback on areas that required additional information for the process to be completed successfully. Once the SOP was completed, it was shared throughout the department via a shared drive. Our organization has been successful using the SOP. Our goal was to ensure that any employee could follow the SOP in the event of someone being out for an extended amount of time or an employee leaving the position held. SOPs are valuable and provide documented knowledge and experiences that can be shared and ensure continued success in an organization.

### **Implementing Succession Planning (Possibilities)**

The past few years have proven to be a challenge to our organization. We experienced the highest turnover in management-level employees that we have seen over the last decade and have fallen into a repeat cycle of hiring and training new employees. The city's goal was to strengthen the foundation of our organization, improve employee retention, and secure institutional knowledge for positions identified as critical by implementing cross-training, coaching and mentoring, and leadership development. The most important reasons why succession planning is

vital to local governments are the shrinking workforce and the link between organizational effectiveness and planning.<sup>8</sup> This cycle of hiring and training new employees comes with significant risks to the stability of the organization. Developing a plan will allow your organization to have well-defined goals and a road map for success. With the right strategy in place, each successor will have a clear vision of your organization's direction. They are now set up for success and can begin to bring new ideas to the table or continue implementing and working to improve plans already in place. There are several strategies an organization can use when implementing succession planning.

## **Cross Training**

Small local governments face a unique challenge: limited personnel. An organization with limited personnel typically means that one employee wears many hats. What happens when that person takes a vacation or a medical leave of absence? In my experience, it meant working weekends to process payroll early so I could take a family vacation. It also meant bringing a laptop on vacation so I could answer emails and process payroll, human resource management questions, and benefit requests, and not fully disengaging during a family member's illness. Cross-training employees is a solution that does not add additional personnel expenses. By cross-training, you are coaching an employee hired to perform one job function alongside the skills and knowledge required to complete another job responsibility. Cross-training can reduce service disruption to your citizens and stress levels when an employee takes a vacation or is absent due to illness.

Many factors keep organizations from implementing cross-training, as with most small local governments. Time, limited personnel, and budgetary restraints often hinder an organization from implementing cross-training. Cross-training is not costly and can be achieved even with limited personnel. When cross-training initiatives are combined with your organization's succession plan, employees will be acquiring new skills that help them in their current roles while helping them recognize how those skills will help them achieve more and do more challenging work with your organization long term.<sup>9</sup>

The city recently implemented a cross-training initiative. The initiative is a process that is still ongoing, and we have seen great success thus far. Cross-training is not without risks, and the City of Dayton has experienced some downsides. Employee morale was one of those factors. The employee brought in to cross-train assumed that this event meant they would be taking on the role, and in turn, loss of job satisfaction became a factor when they did not receive additional compensation for the skills acquired. We have also had a great experience and have had employees excel. One of those examples was in cross-training for the payroll process. After five years of not having a backup, I was determined to develop a plan and place it into action. Our utility billing supervisor was able to set aside several days a month and work with me to learn the basics of processing payroll. During this time, I experienced a family emergency, and she was able to step in and assist me during a critical time. The employee recognized the importance of the additional skill set, and they had prepared to transition into the payroll manager role when the time came. With teamwork, our cross-training initiative was successful and improved overall job satisfaction for both employees.

## **Coaching & Mentoring**

As a coach, a manager's job is to help team members develop skills and improve. Coaching involves providing instruction, guidance, advice, and encouragement.<sup>10</sup> The City of Dayton recognizes our organization's talented and skilled employees. The "Take Your Co-Worker to Work" Mentor Program allows these individuals to shadow an employee in another department and build knowledge about the education and training needed for a particular job alongside gaining insight into what the selected department does in its day-to-day processes. It will also allow the employees selected to practice and demonstrate essential work-readiness skills such as communication, career development, servant leadership, office etiquette, acceptable business protocols, and appropriate workplace behavior that will be necessary for a career path for that particular job.

## **Leadership Development**

Once you have identified high-performing leaders and determined if they are a good fit for a specific role, you can begin supporting them for a successful transition into the new role or new position in your organization. Mentoring can provide leaders with the opportunity to sharpen their leadership skills. Our organization has developed a leadership program to grow our future leaders today. The objective of this program, called the Emerging Leaders Group, is to develop leaders within the City of Dayton's organization. Staff retention and internal promotional opportunities are critical strategic initiatives for the organization's long-term success. Staff retention can often be achieved by training staff members early in their development to build up their leadership skills and the tools needed to succeed when they are promoted in the future to new leadership responsibilities. Assessments assist in determining what employees will be a good fit and engage them in a mentor program.

## **Conclusion**

By developing and training future leaders today, your organization will be better prepared for the retirement or replacements of your current leadership team. If you choose to be passive about succession planning and not proactive, you will have a workforce that can only perform basic tasks and have limited institutional knowledge and skills. The book *Good to Great* discusses concepts like First Who, Then What. To figure out where to drive the bus (build a thriving organization), the right people need to be on the bus and in the key seats.<sup>11</sup> Are you willing to risk your organization's future, or are you ready to invest in your leaders today to set your organization up for great success and build both a strong foundation and a clear vision for your future? If the answer is yes, then succession planning is essential.

## Notes

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<sup>1</sup> “Benefits of Succession Planning-Why It's So Important,” In prosperity Staff, accessed October 6, 2022. <https://www.insperity.com/blog/benefits-of-succession-planning>.

<sup>2</sup> Christine Smith, “Succession Planning in Government,” accessed August 17, 2022. [https://icma.org/sites/default/files/308469\\_Succession%20Planning%20in%20Government\\_KN%20ICMA%20%281%29.pdf](https://icma.org/sites/default/files/308469_Succession%20Planning%20in%20Government_KN%20ICMA%20%281%29.pdf).

<sup>3</sup> Barbara Mitchell and Cornelia Gamlem, *The Big Book of HR: 10 the Anniversary Edition*, (Newburyport, MA: Career Press, 2022), 51.

<sup>4</sup> Glen Harrison, “Succession Planning Pitfalls and How to Avoid Them.” accessed August 17, 2022. <https://www.sigmaassessmentsystems.com/top-10-succession-planning-mistakes>.

<sup>5</sup> Mitchell and Gamlem, *The Big Book of HR*, 51.

<sup>6</sup> “How to Avoid the Pitfalls of the Peter Principle” The Mind Tools Content Team, accessed October 15, 2022.

[https://www.mindtools.com/pages/article/newTMM\\_68.htm#:~:text=The%20Peter%20Principle%20states%20that,can%20no%20longer%20perform%20well](https://www.mindtools.com/pages/article/newTMM_68.htm#:~:text=The%20Peter%20Principle%20states%20that,can%20no%20longer%20perform%20well).

<sup>7</sup> Nelson Joyce, “Institutional Knowledge: What It Is & How to Use It,” accessed August 17, 2022. <https://tetra.com/article/institutional-knowledge-what-it-is-how-to-use>.

<sup>8</sup> Suzanne M. Leland, Joanne G. Carman, and Nicholas J. Swartz, "Understanding managerial succession planning at the local level: A study of the opportunities and challenges facing cities and counties," accessed September 26, 2022.

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<sup>9</sup> Kelly Creighton, “Benefits of Cross-Training Employees for Succession Planning,” accessed October 15, 2022. <https://hrdailyadvisor.blr.com/2018/09/19/benefits-of-cross-training-employees-for-succession-planning/#:~:text=When%20you%20combine%20your%20cross,more%20challenging%20work%20with%20you>.

<sup>10</sup> Jill Hamilton, and Margaret Parrish, *The Essential Manager's Handbook*. (New York: DK Publishing, 2016).

<sup>11</sup> Jim Collins, “First Who – Get the Right People on the Bus,” accessed October 15, 2022. [https://www.jimcollins.com/article\\_topics/articles/first-who.html#articletop](https://www.jimcollins.com/article_topics/articles/first-who.html#articletop).