

# Human Resources Audit Report Results & Recommendations



Office of the  
General Auditor

Organization &  
Personnel Committee  
June 7, 2010

# Human Resources Audit



## Scope

- I. Recruiting Services
- II. Classification & Compensation Studies
- III. Employee & Labor Relations
- IV. Equal Employment Opportunity
- V. Workforce Development & Information Technology

## Baseline

Human Resources Audit of 2005

# Discussion



- **Audit Report Opinion**
- **Understanding the Results**
- **MWD today**
- **Workforce Perspective**
- **Conflict – a move to greatness**
- **Action Plans – a roadmap to the future**



**MWD**  
METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

## Internal Audit Department

June 7, 2010

**Gilbert F. Ivey**  
Assistant General Manager and Chief Administrative Officer  
Office of the Chief Executive Officer

Based on your request and that made by the Group Manager of Human Resources, the Audit Department has completed a review of the business practices and operational policies of the Human Resources Group as of January 30, 2010. This review was conducted by Human Resources consultant Stan McKnight (from McKnight Associates, Inc.) in partnership with Audit Department personnel. This review was similar in scope to that of the Human Resources Audit completed in 2005 (dated July 21, 2006.) In addition, a Human Resources review was made by the Blue Ribbon Task Force of 1994. These two engagements served as a baseline for a comparison to the current conditions within the Human Resources Group.

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Our audit consisted of an evaluation of services and functions that include recruiting services, classification and compensation services, employee and labor relations, equal employment opportunity, and workforce development. This report provides an overview of our investigation and findings, along with recommendations for management consideration.

### Opinion

In our opinion, the administrative procedures within the Human Resources Group provides for a less than satisfactory internal control structure.

Our investigation found that considerable progress has been made toward addressing many of the issues identified by the 2005 audit. Specifically, we noted that labor relations have shown significant improvement and employee grievances/PERB charges have been greatly reduced. Furthermore, the installation of new and/or updated PeopleSoft system modules has improved operational efficiencies by leveraging information technologies within the Human Resources function. Lastly, workforce development programs are addressing needs through expanded training efforts.

However, many areas are in need of greater attention and focus by Human Resources Management. Specifically, efforts to reengineer and streamline recruiting services have not been fully successful and the subsequent reorganization appears to be a temporary fix. Moreover, the General Unit (AFSCME) Classification and Compensation Study has met



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# Audit Results

## *Less Than Satisfactory Opinion*

### Considerable Progress has been made

- **Human Resources** reporting structure – **Group Level**
- **Labor Relations** show significant improvement
- **Grievances/PERB charges** have been greatly reduced
- **PeopleSoft System** new modules/upgrades have been made
- **Workforce Development Programs** are addressing many employee needs



# Audit Results

## Areas of Concern

- Efforts to reengineer and streamline **Recruitment** have not been fully successful
- **Class Compensation** study efforts lack strategic focus
- **Performance Evaluation Process** improvements have not been implemented
- **Succession Planning** is thorough on the Group level but lacks consistency across the organization



# Audit Results

## Areas of Concern

- **Unit Realignment** discussions have begun but are incomplete
- **Unrepresented Class** goals, objectives, and compensation strategies are underdeveloped
- **Unrepresented Class** analysis is incomplete

It is critical to note that many of these concerns are reflected in the HR Strategic Plans. We encourage their continued efforts in reaching these goals.

# Understanding the Results



- **Observations were then viewed with a wider lens!**
- **Binoculars versus microscope**
- **Concerns then were seen as symptoms of a different set of challenges!**





# Understanding the Results



- **Confident that human resources will address the noted deficiencies. However, in order to succeed, we must provide new tools to help manage/control the organization.**
- **Analogy: Quick sand. The faster you try to move, the worse it gets! Only a slow measured effort gets results! However, if someone throws you a rope from the outside, then you can get out fast.**



# Expanded View



- **Holistic view of the HR process was needed.**
- **Holistic view is the idea that all of the properties of a given system cannot be determined or explained by its component parts alone. Instead, the system as a whole determines, in an important way, how the parts behave.**



“Never look back unless you  
are planning to go that way!”

Henry David Thoreau



# Sources

- Blue Ribbon Committee Report 1995
- Human Resources Report in 2006
- Voices 2009 – similar messages
- Human Resources Report in 2010
- Payroll Audit 2010

# Similar Challenges



- **Workforce Development/Talent Management**
- **Performance Evaluation Process**
- **Employee Relations**
- **Fiscal Accountability/Legacy Costs**

**A repeat of the Past or a link to our Past!**

# Growth Challenges



**Every organization develops according to a natural lifecycle, facing problems at each stage.**

**At each stage of development the organization faces a unique set of challenges.**

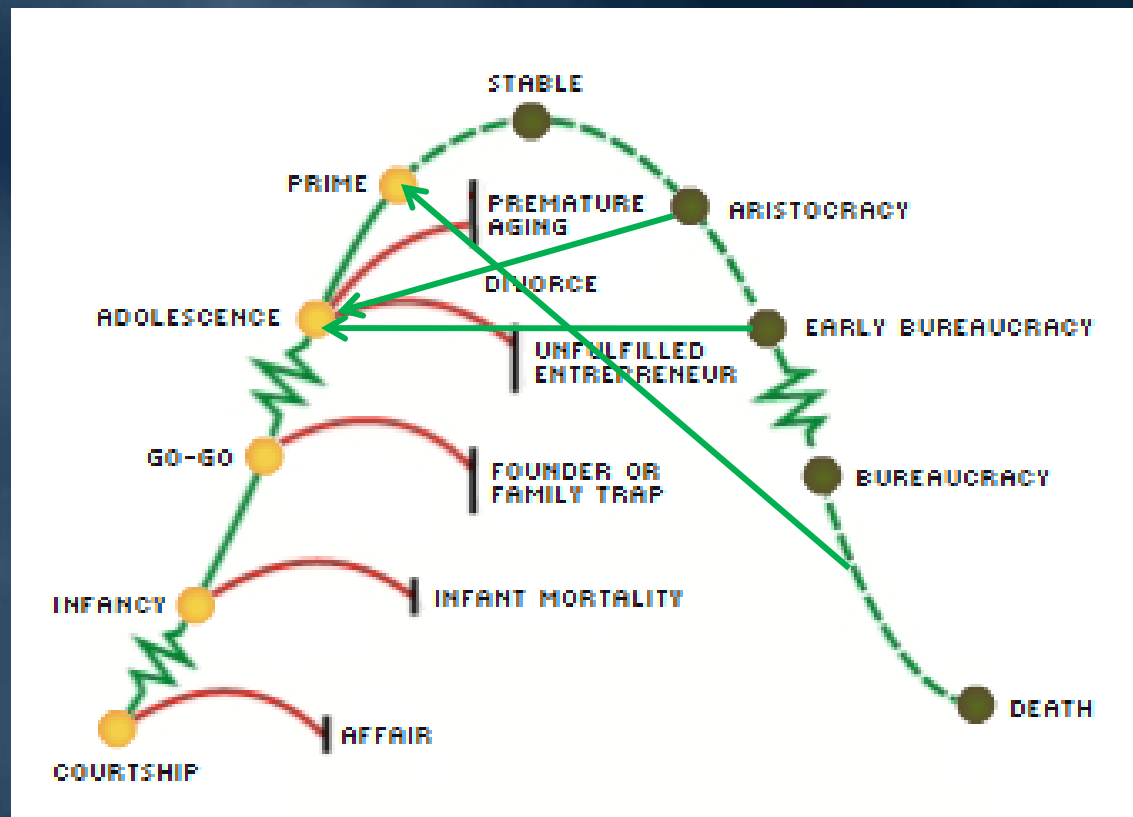
**How well management addresses these challenges, and leads a healthy transition from one stage to the next, has a significant impact on the success of the organization.**



# Lifecycle Modeling

The Adizes™ organization lifecycle model

**Courtship**  
**Infancy**  
**Go-Go**  
**Adolescence**  
**Prime**  
**Stable**  
**Aristocracy**  
**Recrimination**  
**Bureaucracy**  
**Death**





# Where is MWD in Corporate Evolution?

- Infancy?
- Adolescence?
- Prime?
- Stable/Mature?
- Bureaucracy?

**How long will MWD exist?**





# Where is MWD in Corporate Evolution?

- Organization at a cross roads between Founders vision and new Direction
- **Board of Directors debate vision and goals**
- Board of Directors exert control
- **Failure of incentive systems or rewarding wrong behavior**
- Inability to migrate compensation to profit-based system



# Where is MWD in Corporate Evolution?

- **Conflict between:**
  - **Long-term staff and newcomers**
  - **What is best for the company versus what is best for the individual**
  - **Founders (Board of Directors) and long-term employees**



# Where is MWD in Corporate Evolution?

## Adolescence

- Metropolitan is a “young adult”
- We are primed for a new direction
- We have done this before..at least three times!

**Past Chairman Phil Pace once quoted Laurence Peters:**

“bureaucracy defends the status quo long past the time when the quo has lost its status.”

# Where is MWD in Corporate Evolution?



Three eras of Metropolitan

## **I. “Quenching the Thirst”**

Building the Founding Fathers’ Dream

## **II. “New Digs”**

State Water Project, Sunset Building &  
Reaffirmation of the MWD Mission

## **III. “Expanding the Pie”**

Collateral Actions, Major Capital Projects and  
the Building of a Public Business Philosophy



# "Quenching the Thirst" Building the Founding Fathers' Dream! 1928 - 1950



They started  
a project in  
1928 that  
many would  
never see  
finished





# "Quenching the Thirst"

## Building the Founding Fathers' Dream!

### 1928 - 1950

#### Characteristics :

- ✓ Vision is dreams and possibilities
- ✓ **Primary goal is to build enthusiasm and commitment to the vision**
- ✓ High risk, deeper the commitment
- ✓ **Action oriented and opportunity-driven**
- ✓ Focus goes from the vision to action



# "New Digs" State Water Project, Sunset HQ, the MWD Mission 1950 - 1980



Their idea was to bring/move the water from where it was, to where we need it!





## "New Digs"

# State Water Project, Sunset HQ, the MWD Mission 1950 - 1980

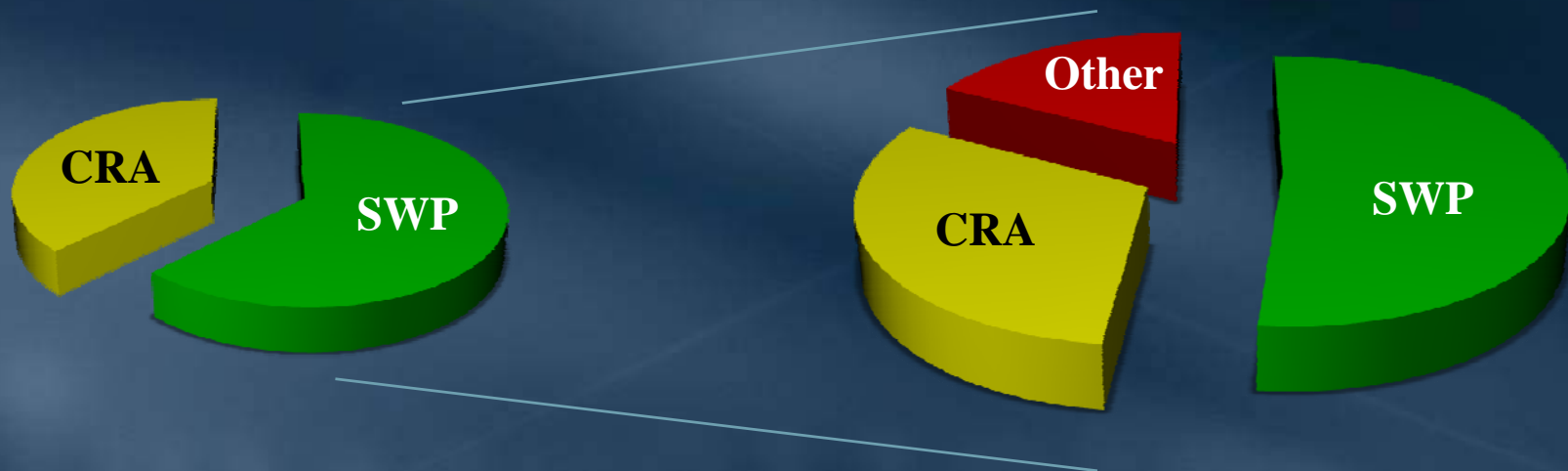
### Characteristics :

- ✓ Repeat of founders' vision to move new water
- ✓ **Primary goal is to build enthusiasm and commitment to the SWP dream**
- ✓ High risk & long term financial commitment
- ✓ **Action oriented and opportunity-driven**
- ✓ Focus goes from vision to action





# “Expanding the Pie” Collateral Actions, Major Projects, and the Public Business Philosophy 1980 - 2010



**Looking for new water resources!**



# **“Expanding the Pie”**

## **Collateral Actions, Major Capital Projects, and the Public Business Philosophy 1980 - 2010**

### **Elements:**

- ✓ **Recycling / Conservations Credits / Water Transfers**
- ✓ **First IRP / Strategic Plan & outreach to MA**
- ✓ **Expanded / Extensive Legislative & Public outreach**
- ✓ **Rate Structure to match revenue stream with fixed and variable costs**
- ✓ **Major Capital Projects - DVL / Inland Feeder / ORP**
- ✓ **MWD Management Retreat**
- ✓ **Public Business Philosophy**
- ✓ **Ethics & Governance Practices**



# **“Expanding the Pie”**

## **Collateral Actions, Major Projects, and the Public Business Philosophy**

### **1980 - 2009**

#### **Characteristics :**

- ✓ **Modify founders vision to find new water**
- ✓ **Build enthusiasm and commitment to alternative water resource strategies**
- ✓ **High risk & long term financial commitment**
- ✓ **Action oriented and opportunity-driven**
- ✓ **Focus goes from vision to action**
- ✓ **Action migrates from new sources of water to conservation**



# **“Expanding the Pie”**

## **Collateral Actions, Major Projects, and the Public Business Philosophy**

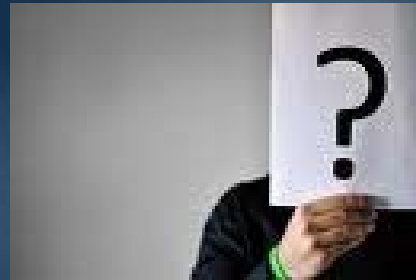
### **1980 - 2009**

- ✓ **Promote Ethical culture & good governance**
- ✓ **Build Public Business Philosophy**
  1. **Promote stewardship and protect public trust**
  2. **Engender added value in capital projects and programs like conservation and recycling**
  3. **Respect for water rights and the rights of local communities**
  4. **Adaptability**

# What is next for MWD?



- **Board of Directors debate**
- **We have completed the mission of our founders: CRA, SWP, other sources of water...and completed them well!**



- **Many believe that we are at a crossroad!**
- **The beginning of a New Era?**



“We cannot become  
what we need to be  
by remaining what we are.”

Max De Pree

# Where are MWD employees?

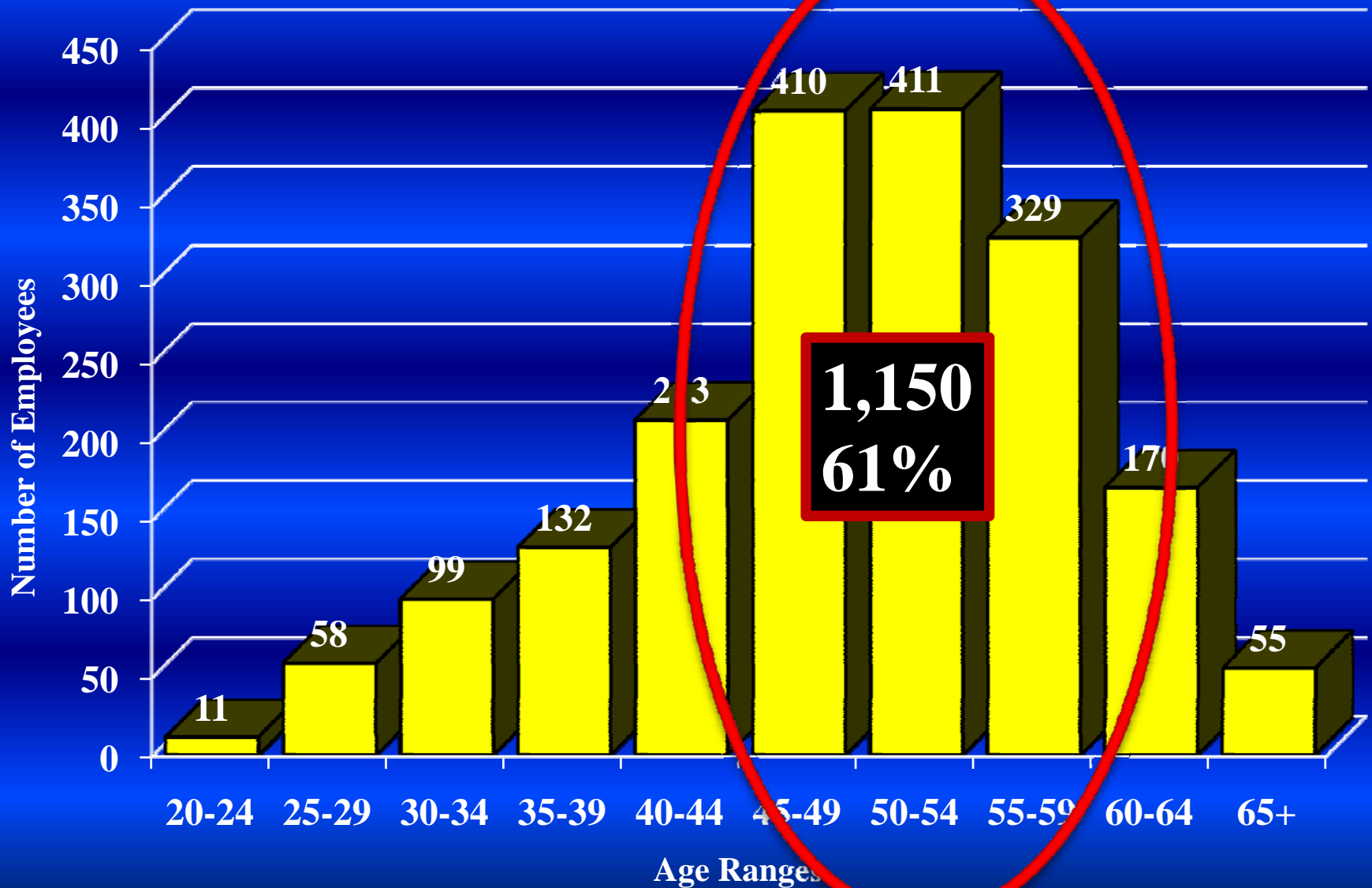


**Do employees share this vision of  
MWD as an organization set to  
embark on a new era?**

**Do they want to change?**

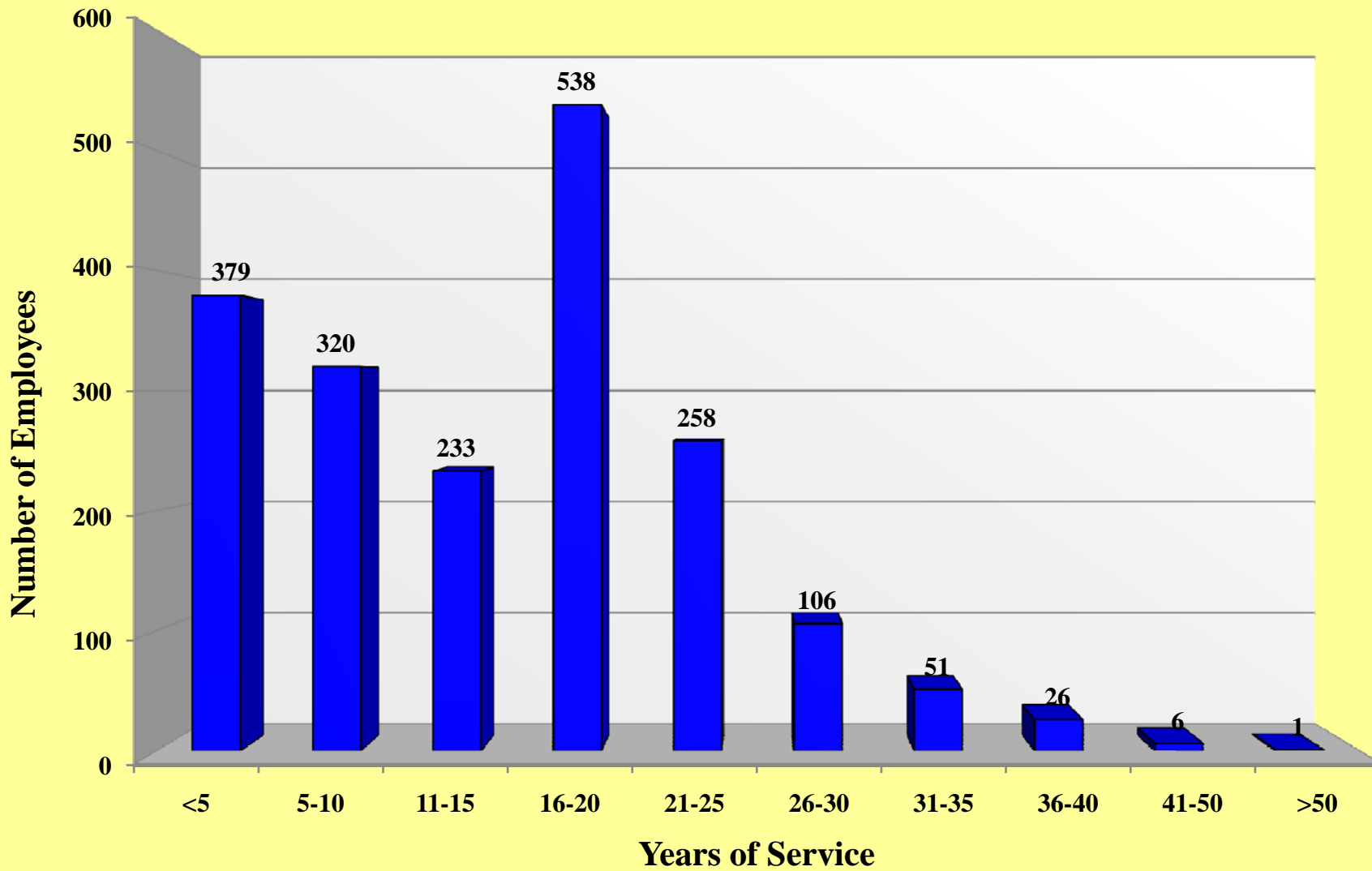
**Can they change?**

# MWD Workforce as of October 2009





# MWD Workforce as of October 2009

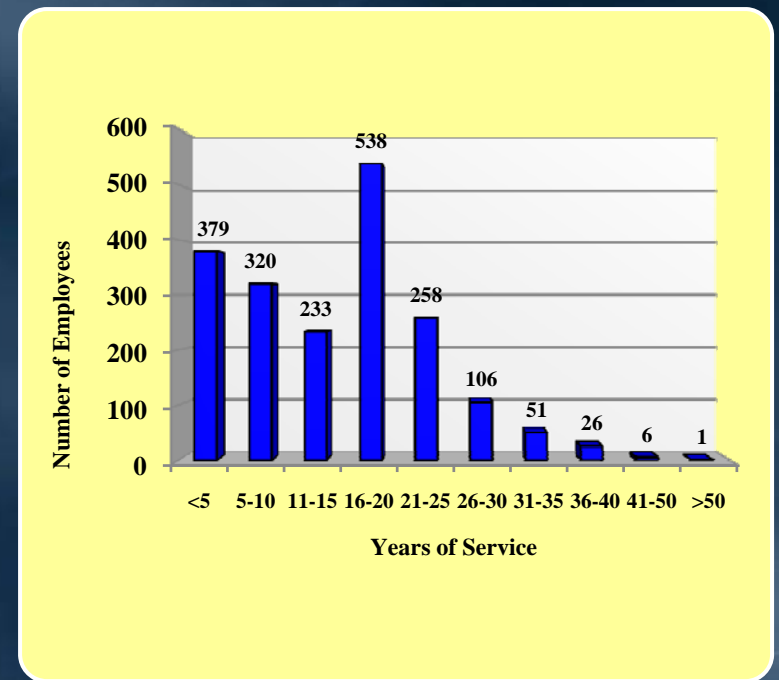
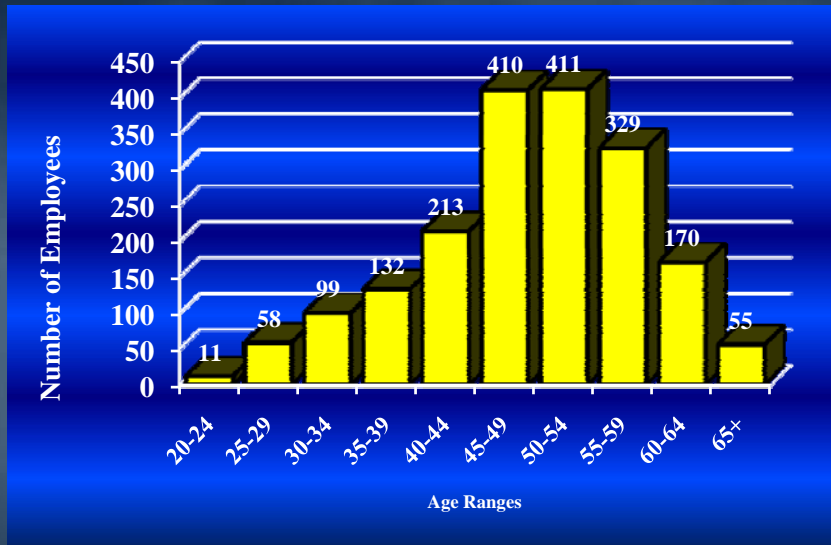




# What would similar stats look like for:

- Yahoo.com
- Oracle
- Microsoft
- Exxon
- US Steel
- Academic organizations - University

# MWD Workforce as of October 2009



# MWD Workforce as of October 2009



## **MWD Employees do Good Work!**

**“Good is the enemy of Great!”**

**Jim Collins**

**Conflict between where we are  
with what we want to accomplish!**

# Voices 2009



- Revealed employees generally have great praise for Metropolitan!
- Employees are happy and content with the way we have it right now!
- However, also revealed poor grades on:
  - Cost-effective financial management
  - Consequences for poor performance



# Characteristics of the workforce Adulthood

**As we progress in our careers, we become more introspective, contemplative and focused on reflection and self-evaluation.**

**Energy is focused on the self,  
away from the outer world.**

**Carl Jung**



# Tension exists on where to invest energy in mature stage

<b>Focus on Self</b>	<b>Vs.</b>	<b>Desire to leave something significant for future generations</b>
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**“I find myself at that point in my life where the road ahead is shorter than the road behind!”**

**Steven Jobs**





# Good to Great

Jim Collins

**That Good is the enemy of Great  
is not just a business problem.**

**It is a human problem!**



## LESSON 7



"Keep looking below surface appearances.  
Don't shrink from doing so (just) because you  
might not like what you find."

"If it ain't broke, don't fix it" is the slogan of the complacent, the arrogant or the scared. It's an excuse for inaction, a call to non-arms. It's a mind-set that assumes (or hopes) that today's realities will continue tomorrow in a tidy, linear and predictable fashion. Pure fantasy. In this sort of culture, you won't find people who pro-actively take steps to solve problems as they emerge. Here's a little tip: don't invest in these companies.

# What's next for Metropolitan



## 1. MWD Mission revision

- will it be changed

## 2. Workplace Redefined

- shifting generational attitudes (gen x, gen y, & babyboomers)

## 3. Collaborative Work Environment (networking)

- European Commission & the Next Generation Collaborative Working Environments
- CERN



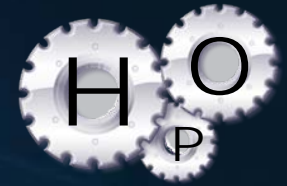
# The High Performance Organization



MWD  
Goals  
and  
Strategies



# Key Organization Focus Areas



# Key HR Group Focus Areas



# Key Workforce Focus Areas



Investments In  
Total Rewards

Investments In  
Workforce Planning

Investments In  
Performance Management

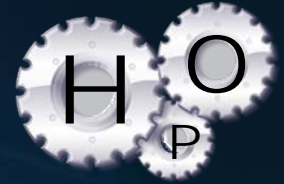
Investments In  
Competency Development

Investments In  
Employee and Labor Relations

- Workforce
- Planning
  - Acquisition
  - Engagement
  - Development
  - Retention
  - Metrics

Performance  
Excellence  
and  
High  
Productivity

# Keys To HPO Evolution



## 1. Clear and compelling story for continuous co-evolution

- a. Explicit vision for and support of high performance culture
- b. Linkages between strategic projects/imperatives, desired results, and evolution activities

## 2. Focus and alignment across key stakeholder groups:

- a. Intent, objectives, outcomes
- b. Roadmap: priorities, activities, accountabilities

## 3. Balanced investment in design, development, and implementation

- a. Sufficient resource planning and allocation
- b. Active and meaningful involvement of people across the enterprise web (network) of activity

## 4. Capability and capacity to execute the evolution roadmap

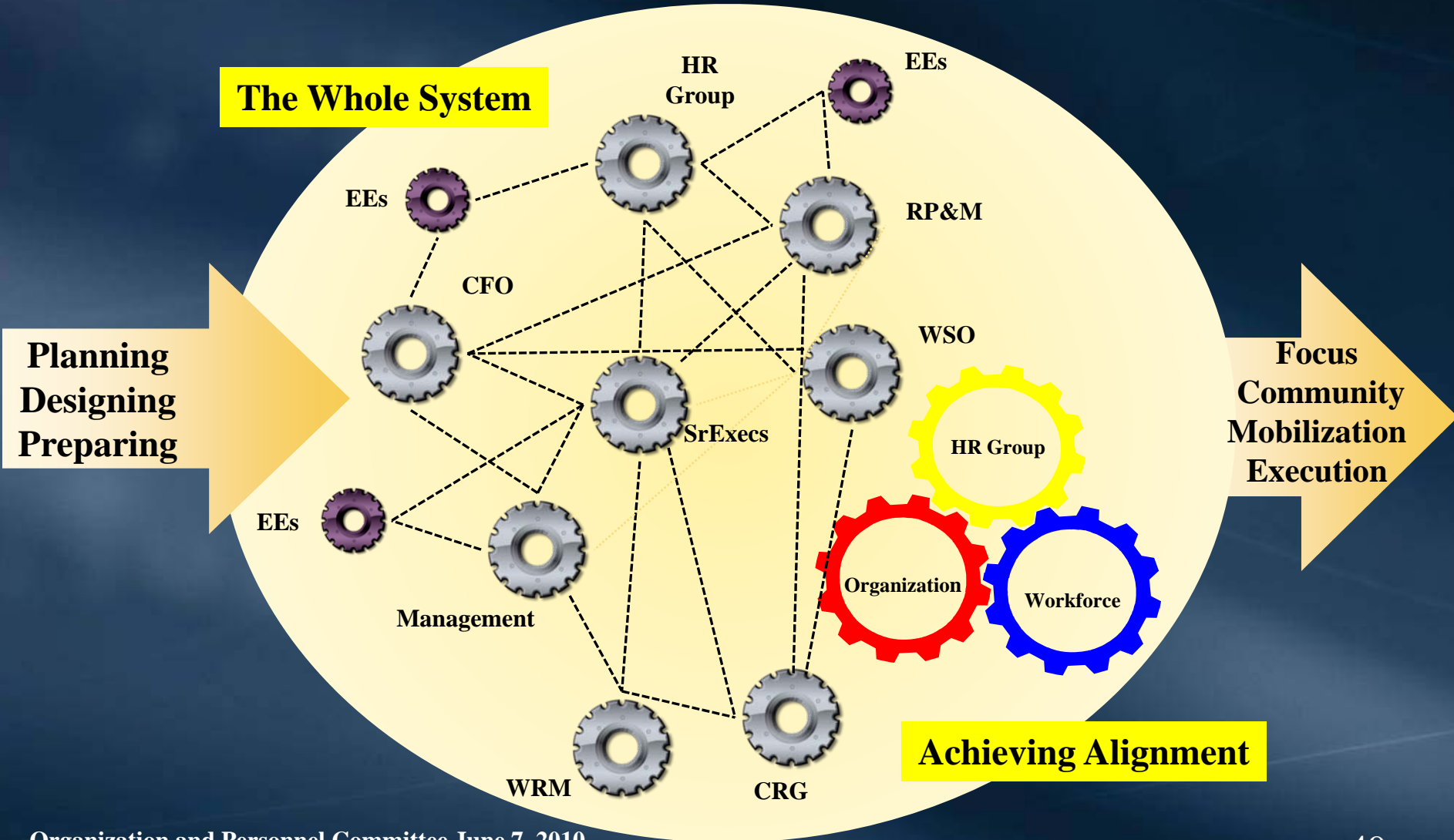
- a. Internal capability and capacity
- b. External subject matter expertise and support

## 5. Measure, assess, and manage progress

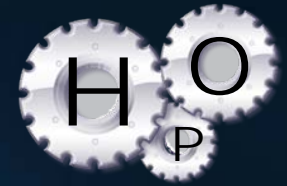
- a. Ongoing communications regarding progress relative to intent, objectives, outcomes
- b. Active Executive and Board governance



# Organizational Alignment



# Transformation Activity: Nodes, Links, And Channels



	Executive Leadership	Management Group	HR Group	HR Advisory Committee
<b>ORGANIZATION</b> 	<ul style="list-style-type: none"> <li>Key Transformation Activities: <b>Organization Alignment</b></li> </ul>	<ul style="list-style-type: none"> <li>Key Transformation Activities: <b>Engagement</b></li> </ul>	<ul style="list-style-type: none"> <li>Key Transformation Activities: <b>Program Development and project management</b></li> </ul>	<ul style="list-style-type: none"> <li>Key Transformation Activities: <b>HR Work Team review and guidance</b></li> </ul>
<b>HR GROUP</b> 	<ul style="list-style-type: none"> <li>Key Roles (Nodes): <b>Guidance and Direction</b></li> <li>Key Interactions (Links): <b>Board of Directors</b></li> </ul>	<ul style="list-style-type: none"> <li>Key Roles (Nodes): <b>Review Direction and Results</b></li> <li>Key Interactions (Links): <b>HR Group and HR Advisory Committee</b></li> </ul>	<ul style="list-style-type: none"> <li>Key Roles (Nodes): <b>Program Development</b></li> <li>Key Interactions (Links): <b>HR Advisory Committee</b></li> </ul>	<ul style="list-style-type: none"> <li>Key Roles (Nodes): <b>Input and Evaluation</b></li> <li>Key Interactions (Links): <b>HR Group</b></li> </ul>
<b>WORKFORCE</b> 	<ul style="list-style-type: none"> <li>Information Sharing (Channels): <b>Management Group and HR Group</b></li> </ul>	<ul style="list-style-type: none"> <li>Information Sharing (Channels): <b>Workforce Communications</b></li> </ul>	<ul style="list-style-type: none"> <li>Information Sharing (Channels): <b>Workforce Communications</b></li> </ul>	<ul style="list-style-type: none"> <li>Information Sharing (Channels): <b>HR Group and Management Group</b></li> </ul>

# Evolution Roadmap

Key Activities:  
0-6 Months

Key Activities:  
6-18 Months

Key Activities:  
18-36 Months

Total  
Compensation  
Strategy  
Direction

Increase  
Ranks of  
Unrepresented  
and Realign  
Bargaining Units

Talent  
Management  
Strategy  
Direction

Performance  
Development  
Strategy  
Direction

Complete and  
Implement Job  
Classification  
Program

Develop  
Talent  
Management  
Program

Develop  
Talent  
Recruitment  
Program

Develop  
Total  
Compensation  
Program

Implement  
Performance  
Development  
Practices

Execute Talent  
Management  
Strategy and  
Programs

Expand  
Total  
Compensation  
Program

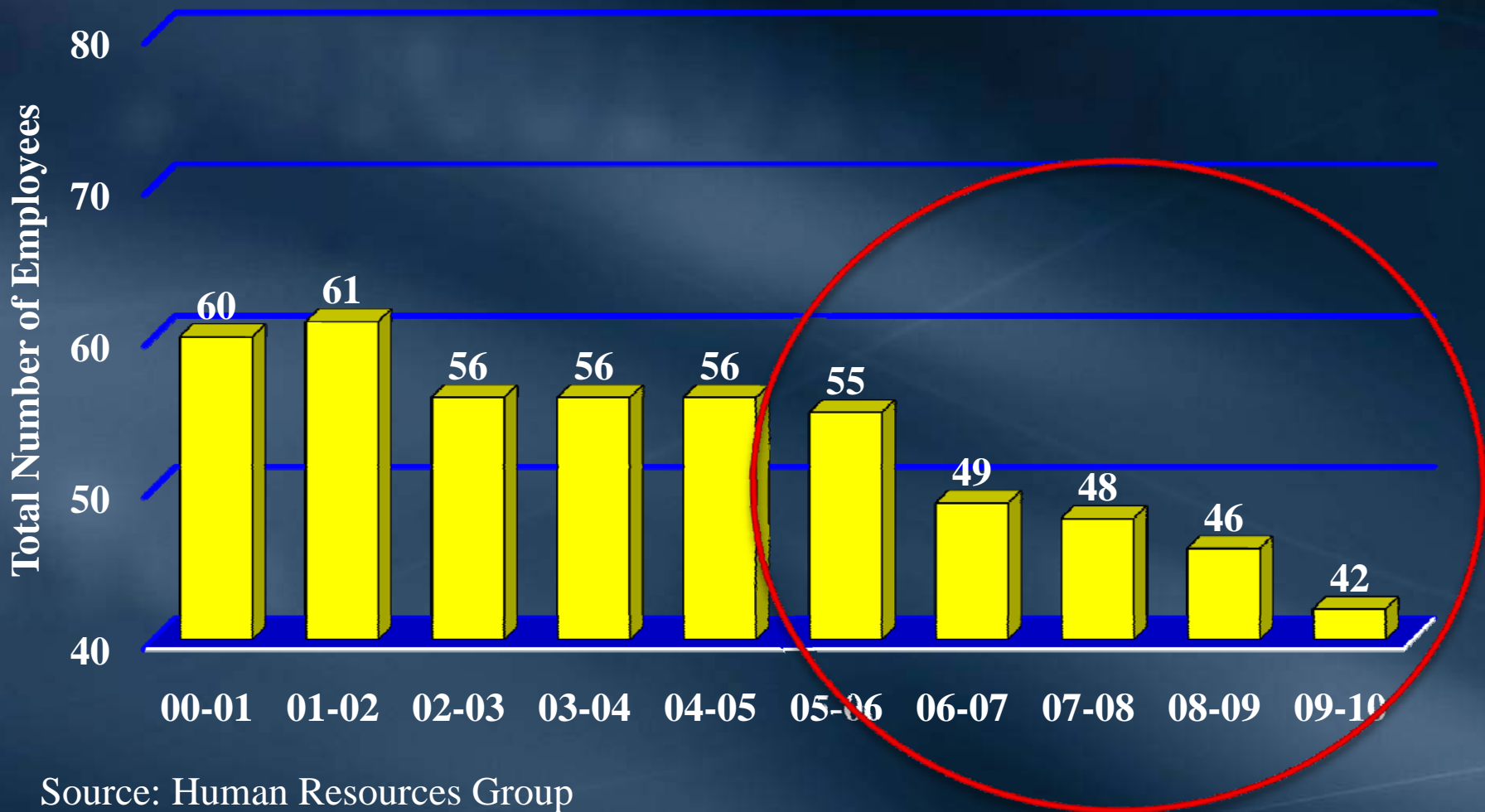


# Key Transformation Activity: Organization Alignment Workshop



- Participants reflecting whole organization
- **Discussions, activities, and experiences throughout the day**
- Builds alignment, engagement, community, and mobilization
- **Real work gets done; real decisions get made**
- Specific but broad boundaries
- **Ground rules of active listening, future focus, mutual respect, diverse ideas, common ground**
- Begins with work that has been done to date
- **Agenda is flexible but closely managed and well-facilitated**
- Outcomes inform Roadmap action plans going forward

# Human Resources Core FTE

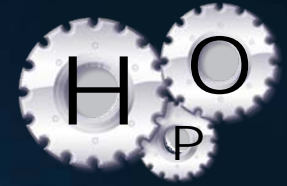


Source: Human Resources Group

# Human Resources Core FTE



- **Slide to be added**

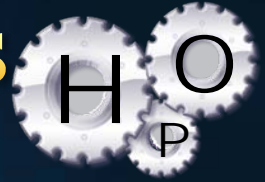


# Egg to Chicken story

## Good-to-Great takes 7 years!

**Jim Collins observations**

# Closing Considerations And Questions



## Critical issues, challenges, and opportunities:

- How will MWD further develop and finalize the Integrated Roadmap?
- What resources will be utilized to ensure the Roadmap is executed effectively and efficiently?
  - How will MWD prioritize the various policies, programs, and practices that it develops?



# Closing Considerations And Questions

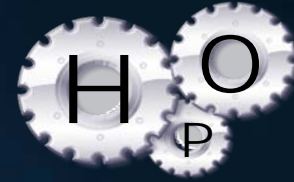


## Critical issues, challenges, and opportunities:

- How will MWD engage the different segments of its workplace in meaningful ways in the transformation process?
- How will interim progress and overall success be measured and assessed?



# A Move to Greatness



- **Respond to the Human Resources findings**
- **Develop action plan to modify HR Strategic Plan to include the High Performance Organization evolution**
  - **Present action plan to Board**



# Questions