Strategic Human Capital Management

The Key to Organizational Performance
The Human Capital Idea: Two Central Principles

People are assets whose value can be enhanced through investment.

Human capital approaches should be designed, implemented, and assessed by how well they help the agency achieve strategic results and pursue its mission.
Federal Management Reforms of the 1990’s

• Financial Management
• Information Technology Management
• Results-Oriented Management

• A consensus has yet to emerge on strategic human capital management and comprehensive civil service reform.
Key Enablers for Effective Management

• People
• Process
• Technology

The most important of the three is PEOPLE—an agency’s human capital.
In knowledge-based organizations, people:

• define an agency’s character
• drive its capacity to perform
• often constitute largest budgetary expense
An Enabler of Cultural Transformation

• Effective strategic human capital management approaches serve as the cornerstone of any serious change management initiative

• Successful human capital approaches enable an agency to become LESS hierarchical, process-oriented, stovepiped, and inwardly focused; and MORE flat, results-oriented, integrated, and externally focused

• Requires a long-term commitment to valuing human capital as a strategic asset
Impact of Budgetary Cuts, Downsizing, and Outsourcing

- Lack of strategic alignment
- Skills imbalances
- Workload imbalances for remaining skilled workers
- Succession planning challenges
- Inadequate accountability for performance
- Outdated performance appraisal systems
- Reduced investments in people (e.g. training and professional development, enabling technology)
Federal Government: Doing More with Fewer People
Federal Permanent Hires
FY 1990-FY1999
Federal Retirement Eligibility Rates FY 1999 - FY 2005
Cornerstones of Effective Strategic Human Capital Management

• Leadership continuity and succession planning

• Strategic planning and organizational alignment

• Acquiring and developing staffs whose size, skills, and deployment meet agency needs

• Creating results-oriented organizational cultures
Efforts are Beginning to Build Momentum for Change

• GAO designated strategic human capital management as a governmentwide high-risk area in January 2001

• President Bush placed human capital at the top of his management agenda, August 2001

• OMB “stop light” scorecard for the strategic management of human capital, October 2001

• OPM human capital balanced scorecard, December 2001

• Congressional oversight is increasing and legislative reforms are being crafted and considered
A Model of Strategic Human Capital Management

- A model of leadership and cultural transformation
- Assesses the extent to which the agency strategically manages human capital
- Determines the extent to which human capital considerations are integrated into strategic planning and daily decisionmaking
- Highlights the importance of a sustained commitment by agency leadership and raises the bar for human capital executives and their teams
A New HC Tool for Agency Leaders

- Defines critical success factors for strategically managing HC.

- Identifies stages through which agencies progress as they increasingly manage human capital strategically.

- Does not describe process-oriented stages of development that are to be considered in isolation from one another.
Strategic Human Capital Planning

Leadership

Commitment to Human Capital Management

Role of the Human Capital Function

Integration and Alignment

Data-Driven Human Capital Decisions

Targeted Investments in People

Human Capital Approaches Tailored to Meet Organizational Needs

Empowerment & Inclusiveness

Unit and Individual Performance Linked to Organizational Goals

Acquiring, Developing, and Retaining Talent

Results-Oriented Organizational Cultures

Commitment to Human Capital Management

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8 Critical Success Factors

• Embody an approach that is fact-based, focused on strategic-results, and incorporates merit principles and other national goals

• Grouped into 4 Human Capital Cornerstones similar to the key HC High-Risk challenge areas

• Developed across 3 levels

• Expanded in *Pointers*, to underscore the direction agencies should take to maximize the value of their HC.
Commitment to Human Capital Management

- People are viewed as a key enabler of agency performance
- Leaders stimulate and support efforts to integrate human capital approaches with organizational results
- Managers are held accountable for effectively managing people
- Human capital approaches are developed, implemented, and evaluated by how well they help the agency accomplish program results
Role of the Human Capital Function

- Agency leaders recognize the role of human capital professionals in meeting the agency’s mission
- Human capital professionals partner with agency leaders in developing strategic and program plans
- Human capital office provides effective strategies for meeting current and future agency needs
- Human capital professionals are prepared, expected, and empowered to serve internal customers
- Personnel processes are streamlined through the use of technology
Integration and Alignment

- Human capital approaches demonstrably support organizational performance
- Human capital approaches are designed specifically to support programmatic goals
- Additional human capital approaches are considered in light of the successes and shortcomings of existing approaches
- Human capital approaches for meeting the needs of the agency are reflected in strategic workforce planning documents
Data-Driven Human Capital Decisions

• Decisions involving human capital management are informed by complete, valid, current, and reliable data
• Data is used to identify areas for attention before crises develop and to identify opportunities to improve agency results
• Performance measures for human capital approaches have been identified and are linked to agency results
• Performance information and data on the agency’s workforce profile are used in strategic workforce planning
Targeted Investments in People

- Human capital expenditures are regarded as investments in people and the agency’s capacity to perform its mission

- Strategies for investing in human capital are integrated with needs identified through strategic planning

- The efficiency and effectiveness of the investments is continuously monitored and evaluated
Human Capital Approaches Tailored to Meet Organizational Needs

• Managers are identifying and using tools available under current law to modernize their human capital approaches

• Human capital approaches are tailored to meet specific mission needs

• A compelling, data-driven business case is made for additional legislative flexibilities
Empowerment and Inclusiveness

• Empowerment:
  • Employees at all levels are given authority to accomplish goals
  • Innovation and problem-solving are encouraged
  • Agency leaders seek the views of employees at all levels
  • Management and employees work collaboratively to achieve outcomes
Empowerment and Inclusiveness

- Inclusiveness:
  - Agency recognizes that an inclusive workforce is a competitive advantage for achieving results
  - Agency works to meet the needs of employees of all backgrounds
  - Agency has declared a “zero tolerance” for discrimination
  - Agency strives actively to reduce the causes of workplace conflict
  - Agency ensures that conflicts are addressed fairly and efficiently
Unit and Individual Performance Linked to Organizational Goals

- Organizational culture is results-oriented and externally focused
- Managers are held accountable for achieving strategic goals, creating innovation, and supporting continuous improvement
- Individual performance management is fully integrated with the agency’s organizational goals
- Clearly defined and consistently communicated performance expectations are in place to rate, reward, and hold employees accountable at all levels of the organization
Next Steps: Responding to the Challenge

• Agencies must use all appropriate flexibilities available under current law while pursuing results-based people management.

• Once shortcomings of existing flexibilities are realized, agencies should pursue additional, selective legislative opportunities for new strategic human capital management tools.

• All interested parties should work towards more comprehensive civil service reform.
Contacting GAO

A Model of Strategic Human Capital Management
(March 15, 2002, GAO-02-373SP)
www.gao.gov

For questions or comments on the human capital model, please contact the presenter or Chris Mihm, Director, Strategic Issues, mihmj@gao.gov