

# **Strategic Human Capital Management**

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## **The Key to Organizational Performance**

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# The Human Capital Idea: Two Central Principles

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**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.**

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# Federal Management Reforms of the 1990's

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- **Financial Management**
  - **Information Technology Management**
  - **Results-Oriented Management**
  
  - **A consensus has yet to emerge on strategic human capital management and comprehensive civil service reform.**
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# Key Enablers for Effective Management

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- **People**
- **Process**
- **Technology**

The most important of the three is **PEOPLE**—an agency's human capital.

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# People: The Most Significant Organizational Asset

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In knowledge-based organizations, people:

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

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- **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**
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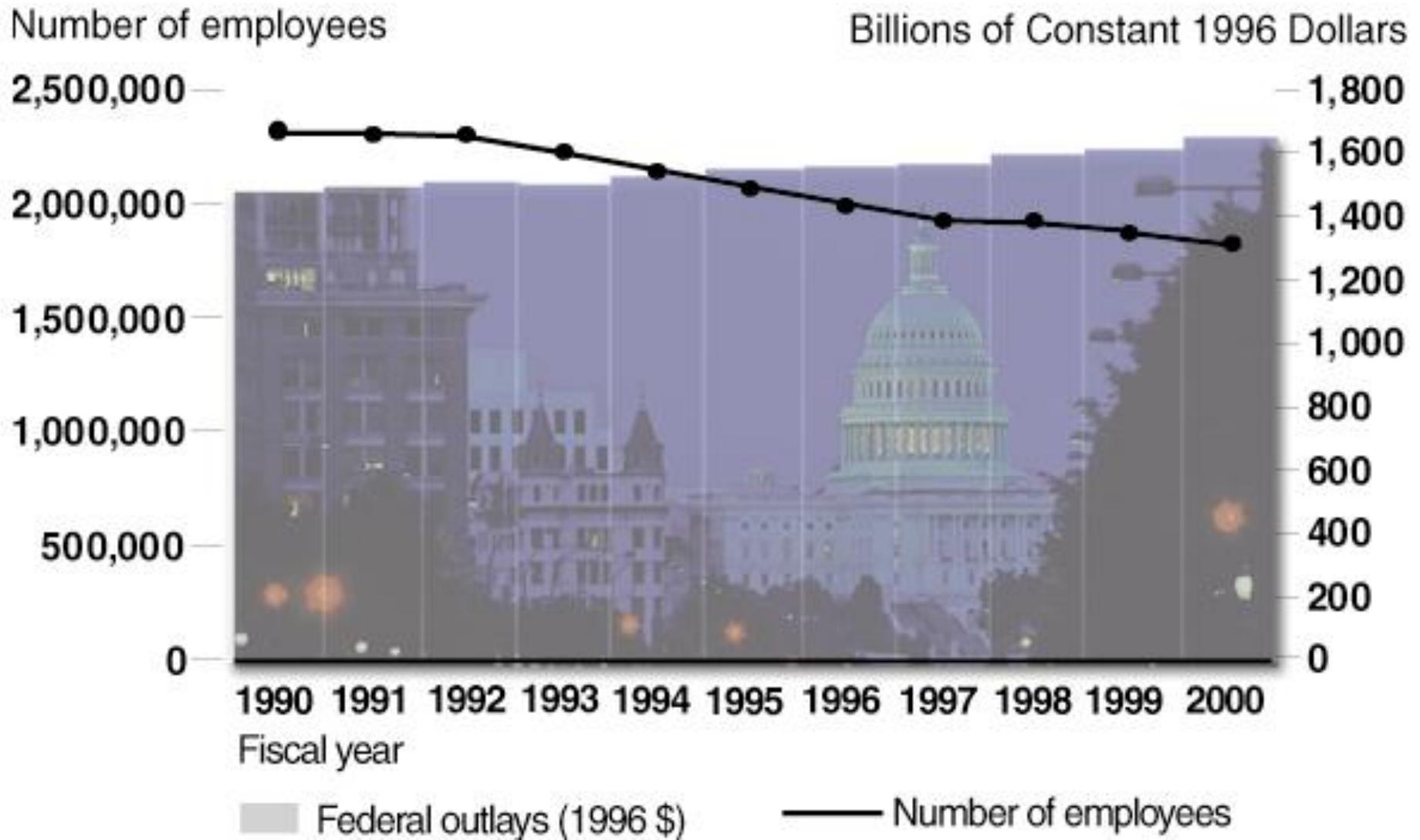
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# Impact of Budgetary Cuts, Downsizing, and Outsourcing

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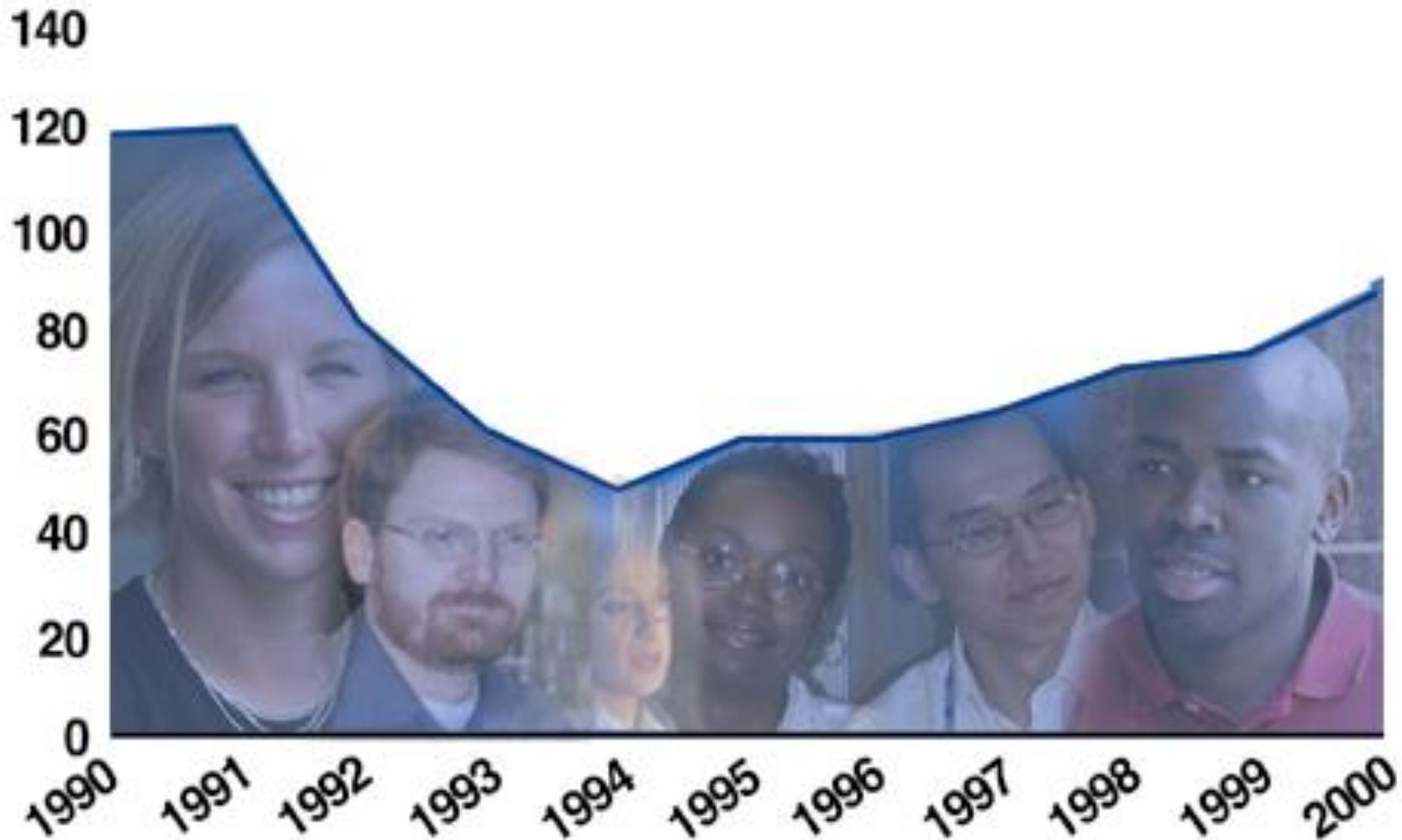
- **Lack of strategic alignment**
  - **Skills imbalances**
  - **Workload imbalances for remaining skilled workers**
  - **Succession planning challenges**
  - **Inadequate accountability for performance**
  - **Outdated performance appraisal systems**
  - **Reduced investments in people (e.g. training and professional development, enabling technology)**
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# Federal Government: Doing More with Fewer People



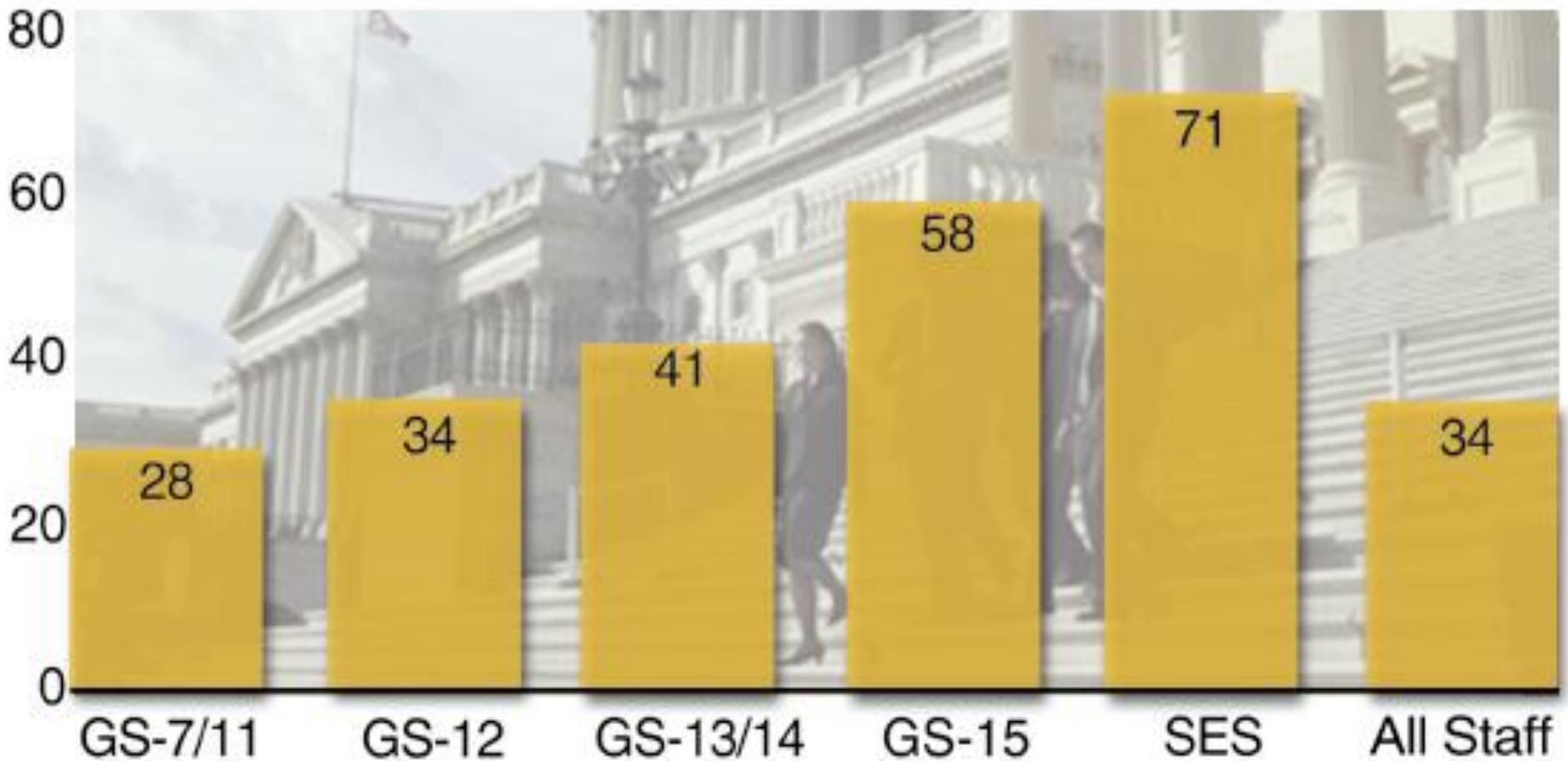
# Federal Permanent Hires FY 1990-FY1999

Permanent Hires (in thousands)



# Federal Retirement Eligibility Rates FY 1999 - FY 2005

Percentage



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# Cornerstones of Effective Strategic Human Capital Management

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- **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**
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# Efforts are Beginning to Build Momentum for Change

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- **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**
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# A Model of Strategic Human Capital Management

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- 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
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# A New HC Tool for Agency Leaders

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- **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**
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**Leadership**



**Commitment to Human Capital Management**

**Role of the Human Capital Function**

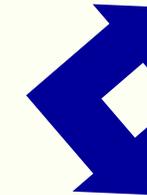
**Strategic Human Capital Planning**



**Integration and Alignment**

**Data-Driven Human Capital Decisions**

**Acquiring, Developing, and Retaining Talent**



**Targeted Investments in People**

**Human Capital Approaches Tailored to Meet Organizational Needs**

**Results-Oriented Organizational Cultures**



**Empowerment & Inclusiveness**

**Unit and Individual Performance Linked to Organizational Goals**

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## 8 Critical Success Factors

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- **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.**
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# Commitment to Human Capital Management

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- **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**
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# Role of the Human Capital Function

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- **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**
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# Integration and Alignment

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- **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**
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# Data-Driven Human Capital Decisions

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- **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**
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# Targeted Investments in People

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- **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**
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# **Human Capital Approaches Tailored to Meet Organizational Needs**

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- 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**
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# Empowerment and Inclusiveness

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- **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**
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# Empowerment and Inclusiveness

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- **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**
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# Unit and Individual Performance Linked to Organizational Goals

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- **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**
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## **Next Steps: Responding to the Challenge**

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- 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.**
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# Contacting GAO

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## A Model of Strategic Human Capital Management

(March 15, 2002, GAO-02-373SP)

[www.gao.gov](http://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](mailto:mihmj@gao.gov)**

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