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Exposure Draft

March 2002

A MODEL OF STRATEGIC HUMAN CAPITAL MANAGEMENT

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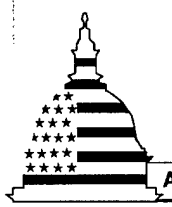

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Comptroller General
of the United States

United States General Accounting Office
Washington, D.C. 20548

March 15, 2002

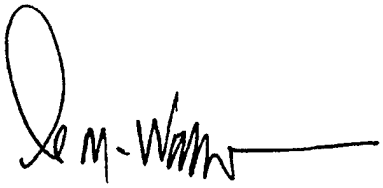
This exposure draft of our Model of Strategic Human Capital Management is intended to help federal agency leaders better manage their organizations' most important asset—their people. Federal agencies that acquire, develop, and retain high performing employees with the appropriate skills and competencies are better able to respond to the needs of the public on a daily basis and in times of crisis. The events of September 11, 2001, and the continuing efforts to ensure homeland security reinforce the vital importance of public servants at all levels.

The model is designed to help agency leaders effectively use their people, or human capital, and determine how well they integrate human capital considerations into daily decision-making and planning for the program results they seek to achieve. In so doing, the model highlights the importance of a sustained commitment by agency leaders to maximize the value of their agencies' human capital and manage related risks.

In publishing this model, we are aware that GAO is not the only agency releasing tools for strategic human capital management. On October 30, 2001, the Office of Management and Budget (OMB) developed standards for success in each of its five governmentwide management initiatives, including the strategic management of human capital, to show how well an agency is executing the initiatives. In December 2001, the Office of Personnel Management (OPM) released a human capital balanced scorecard to assist agencies in responding to the OMB tool. While GAO's human capital model was developed independently of OMB and OPM, we provided drafts of the model for their review prior to publication to help ensure that the three efforts are conceptually consistent. We hope that agencies will find the perspective and information in our human capital model helpful in their efforts to respond to the administration's management initiatives, get to "green" on OMB's management scorecard, and use the tools developed by OPM.

Over the coming months, we will continue to work closely with OPM, OMB, Congress, and others to explore opportunities to develop a more fully integrated set of guidance and tools for agencies to use to address their human capital challenges. Consistent with that collaborative approach, we are issuing this model as an exposure draft as a way of seeking further advice and feedback. We also hope to identify additional examples of

specific and practical steps agencies are taking to make progress. If you have comments, questions, or would like to inform us regarding the progress you have made, please contact J. Christopher Mihm, Director, Strategic Issues, at *mihmj@gao.gov.*



David M. Walker
Comptroller General
Of the United States

Preface

People are an agency's most important organizational asset. An organization's people define its character, affect its capacity to perform, and represent the knowledge-base of the organization. As such, effective strategic human capital management approaches serve as the cornerstone of any serious change management initiative. They must also be at the center of efforts to transform the cultures of federal agencies so that they become less hierarchical, process-oriented, stovepiped, and inwardly focused; and more flat, results-oriented, integrated, and externally focused.

In January 2001, GAO designated strategic human capital management as a governmentwide high-risk area.[1] As GAO's January 2001 *High-Risk Series and Performance and Accountability Series* reports make clear, serious human capital shortfalls are eroding the ability of many agencies, and threatening the ability of others, to economically, efficiently, and effectively perform their missions.[2] Plainly, the major problem is not federal employees. Rather, the problem is the lack of a consistent strategic approach to marshaling, managing, and maintaining the human capital needed to maximize government performance and ensure its accountability. Our *High-Risk* report outlined four pervasive human capital challenges now facing the federal government:[3]

- Leadership, continuity, and succession planning
- Strategic human capital planning and organizational alignment
- Acquiring and developing staffs whose size, skills, and deployment meet agency needs
- Creating results-oriented organizational cultures

[1] See U.S. General Accounting Office, *High-Risk Series: An Update*, GAO-01-263 (Washington, D.C.: Jan. 2001).

[2] U.S. General Accounting Office, *Performance and Accountability Series—Major Management Challenges and Program Risks: A Governmentwide Perspective*, GAO-01-241 (Washington, D.C.: Jan. 2001). In addition, see the accompanying 21 reports (numbered GAO-01-242 through GAO-01-262) on specific agencies.

[3] GAO-01-263.

These challenges are longstanding and will not be quickly or easily addressed. They require sustained and inspired efforts by many parties, including the President, department and agency leaders, the Office of Management and Budget, the Office of Personnel Management, Congress, and others.[4] Comprehensive human capital legislative reforms will likely be needed, but agency leaders must not wait for them to happen. Much of the authority agency leaders need to manage human capital strategically is already available under current laws and regulations. Therefore, we believe the first step toward meeting the government's human capital challenges is for agency leaders to identify and make use of all the appropriate administrative authorities available to them to manage their people for results. The use of these authorities often will need to be undertaken as part of and consistent with proven change management practices. The second step is for policymakers to pursue incremental legislative reforms to give agencies additional tools and flexibilities to hire, manage, and retain the human capital they need, particularly in critical occupations. The third step is for all interested parties to work together to identify the kinds of comprehensive legislative reforms in the human capital area that should be enacted over time. These reforms should place greater emphasis on skills, knowledge, and performance in connection with federal employment and compensation decisions, rather than the passage of time and rate of inflation, as is often the case today.

A Model Of Strategic Human Capital Management: A New Tool For Agency Leaders

The human capital model highlights the kinds of thinking that agencies should apply, as well as some of the steps they can take, to make progress in managing human capital strategically. The model consists of the following:

- The *Critical Success Factors Table* identifies eight critical success factors for managing human capital strategically, which embody an approach to human capital management that is fact-based, focused on strategic results, and incorporates merit principles and other national goals. Each critical success factor is then presented in a table, illustrating their development across three levels.
- Discussions in *Pointers* expand upon the eight critical success factors to highlight not just the needed actions but the kind of thinking that marks high-performing organizations' approaches to managing people

[4] See U.S. General Accounting Office, *Human Capital: Taking Steps to Meet Current and Emerging Human Capital Challenges*, GAO-01-965T (Washington D.C.: July 17, 2001).

through the presentation of concepts, steps for progressing, and agency case illustrations.
- Appendix A includes a list of related GAO products corresponding to the eight critical success factors.

In developing the model, we built upon GAO's *Human Capital: A Self-Assessment Checklist for Agency Leaders* (GAO/OCG-00-14G, September 2000). In addition, we considered lessons learned from GAO reports on public and private organizations that are viewed as leaders in strategic human capital management and managing for results. Additional GAO reports highlighting the progress and shortcomings of individual federal agencies in these two areas were also consulted (Appendix A). Our model was further informed by the findings of external reports on strategic human capital management and managing for results from academia, OPM, the Merit Systems Protection Board, the National Academy of Public Administration, and others.

We also reflected upon our own experience in strategic human capital management and lessons learned from our use of flexibilities available to GAO for maximizing the performance and accountability of GAO employees.[5] Since maximizing performance and assuring accountability are at the heart of our mission at GAO, we believe it is our responsibility to lead by example, especially in the human capital area. By managing GAO's workforce strategically and focusing on results we are helping to improve our performance and enhance accountability. By doing so, we also hope to demonstrate to other federal agencies that they can make similar improvements in the way they manage their people.

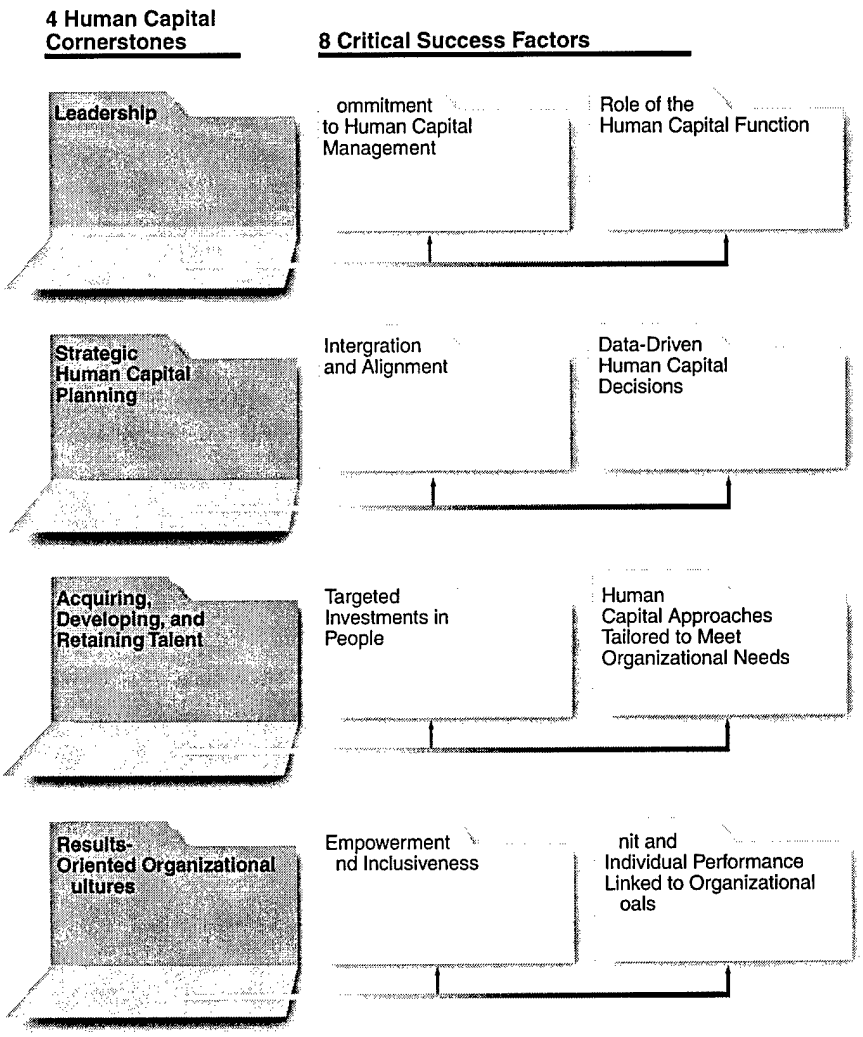
Individuals who made key contributions to this product include Stephen Altman, Martin DeAlteris, Ellen V. Rubin, Shelby D. Stephan, and Edward Stephenson.

[5] For more information on GAO's efforts, see GAO-01-965T.

Critical Success Factors Table

The Critical Success Factors Table identifies eight critical success factors for managing human capital strategically. These factors are organized in pairs to correspond with the four governmentwide high-risk human capital challenges that our work has shown are undermining agency effectiveness (Figure 1). Taken together, the eight critical success factors embody an approach to human capital management that is fact-based, focused on program results and mission accomplishment, and incorporates merit principles and other national goals. When considering the human capital cornerstones and the critical success factors, it is important to remember that they are interrelated and mutually reinforcing. Any pairing or ordering of human capital issues may have a sound rationale behind it, but no arrangement should imply that human capital issues can be compartmentalized and dealt with in isolation from one another.

Figure 1:



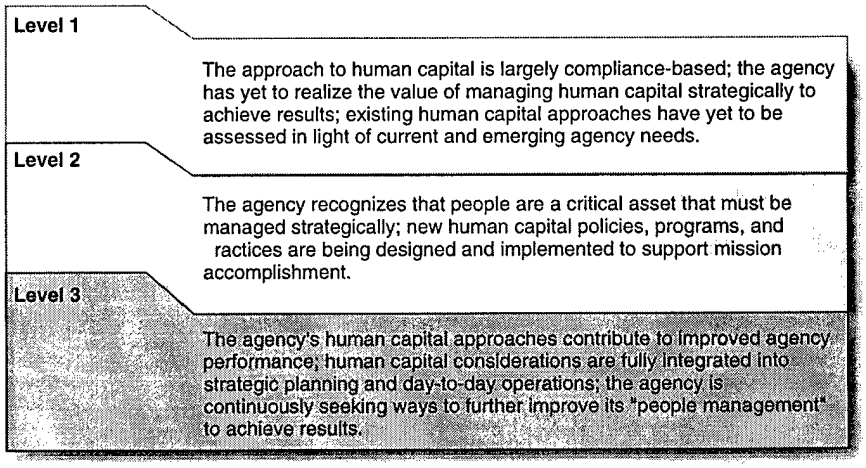
All of the critical success factors reflect two principles that are central to the human capital idea:

- People are assets whose value can be enhanced through investment. As with any investment, the goal is to maximize value while managing risk.

- An organization's human capital approaches should be designed, implemented, and assessed by the standard of how well they help the organization achieve results and pursue its mission.

For each of the eight critical success factors, the table describes three levels: Level 1, Level 2, and Level 3 (Figure 2).

Figure 2: The Three Levels



The descriptions portray the approach to managing people that can be expected of an organization at each level. To understand the progression from level to level, it is best to keep in mind the two central human capital ideas just discussed. An agency at *Level 1* is unlikely to have effectively put these two principles into practice. At *Level 2* an agency is clearly taking steps to apply them. An agency at *Level 3* has made these principles an integral part of its approach to doing business, and can see demonstrable results from having done so. Progressing to *Level 3*, which each agency should strive to accomplish, will take considerable time, effort, and resources on behalf of agency leadership to successfully manage the required organizational change. The use of this model requires a long-term commitment to valuing human capital as a strategic asset.

Human Capital Cornerstone

Leadership

Critical Success Factors	Level 1	Level 2	Level 3
Commitment to Human Capital Management	Agency leaders view people as costs to be cut rather than as assets to be valued. Management decisions involving the workforce are often made without considering how these decisions may affect mission accomplishment. Similarly, business decisions are often made without due consideration of the human capital needs they entail or the human capital approaches that may be needed for successful implementation.	Agency leaders acknowledge the importance of human capital to mission accomplishment, and have informed managers at all levels of the roles they need to play in acquiring, developing, and retaining people to meet the agency's programmatic needs. The agency is working to explicitly link its human capital approaches to intended program results.	Agency leaders view people as an important enabler of agency performance, recognize the need for sustained commitment by the agency to strategically manage its human capital, and stimulate and support efforts to integrate human capital approaches with organizational goals. The agency's human capital approaches are consistently developed, implemented, and evaluated by the standard of how well they support the agency's efforts to achieve program results. Managers at all levels actively support these concepts and are prepared and held accountable for effectively managing people.
Role of the Human Capital Function	Human capital management is considered a support function, separate from and generally subordinate to the agency's core planning and business activities. The "personnel" or "human resource management" office is largely process-oriented and focused on ensuring agency compliance with merit system rules and regulations. Expectations for staff in these offices are limited to processing transactions and addressing "personnel issues" on a case-by-case basis.	Human capital professionals have begun to focus on the agency's business needs and their role in filling them. The human capital function is in transition "from rules to tools," facilitating compliance with merit system principles and other national goals, and helping the agency more effectively meet its strategic and business goals. Human capital professionals are expected to be customer-oriented and to develop the expertise needed to be effective in their new roles.	Human capital professionals partner with agency leaders and line managers in developing strategic and program plans. The human capital office provides effective human capital strategies to meet the agency's current and future programmatic needs and fulfil merit systems principles and other national goals. Human capital professionals are prepared, expected, and empowered to provide a range of technical and consultative services to their internal customers; agency leaders and managers consistently recognize the key role of human capital professionals in helping the agency and its people effectively pursue their mission. The agency has streamlined personnel processes and effectively employs technology to meet customer needs.

Human Capital Cornerstone

Strategic Human Capital Planning

Critical Success Factors	Level 1	Level 2	Level 3
Integration and Alignment	The agency has yet to fully recognize the link between its human capital approaches and organizational performance objectives. Existing human capital approaches have yet to be assessed in light of current and emerging agency needs. The agency changes or adopts human capital approaches without considering how well they support organizational goals and strategies, or how these approaches may be interrelated.	The agency's human capital needs are considered during strategic and annual planning. Existing human capital approaches have been assessed for their alignment with current and emerging needs. New human capital initiatives are in design or implementation specifically to support programmatic goals. These initiatives are building towards a coherent, results-oriented human capital program.	The agency's human capital approaches demonstrably support organizational performance objectives. The agency considers further human capital initiatives or refinements in light of both changing organizational needs and the demonstrated successes or shortcomings of its human capital efforts. The human capital needs of the organization and new initiatives or refinements to existing human capital approaches are reflected in strategic workforce planning documents.
Data-Driven Human Capital Decisions	Decisionmakers lack critical information with which to create a profile of the workforce (e.g., skills mix, deployment, and demographic trends) or to evaluate the effectiveness of human capital approaches, partially due to inadequate data sources. Performance measures and goals for the agency's human capital programs, especially as they link to programmatic outcomes, have yet to be identified.	The agency is working to ensure that information systems are in place to generate meaningful and reliable data across a range of human capital activities. Data gathered includes workforce shape, competencies and skills mix, and demographic trends. The agency has profiled its workforce so that usable information is on hand with which to make decisions in such areas as acquiring, developing, and retaining talent. The agency has identified performance measures and goals for its human capital programs, with attention to establishing the link between these programs and agency results.	Decisions involving human capital management and its link to agency results are routinely informed by complete, valid, and reliable data. Data gathered is kept current. Agency leaders use this information to manage risk by spotlighting areas for attention before crises develop and to identify opportunities for improving agency results. Performance measures for the agency's human capital programs have been distilled to a vital few, and are an integral part of the agency's strategic planning, performance measurement, and evaluation efforts. Data on the agency's workforce profile, performance goals and measures for human capital approaches, and areas requiring agency attention are reflected in strategic workforce planning documents.

Human Capital Cornerstone	Critical Success Factors	Level 1	Level 2	Level 3
Acquiring, Developing, and Retaining Talent	Targeted Investments in People	Agency leaders approach human capital expenditures (e.g., professional development and knowledge management, recruiting programs, pay and benefits, performance incentives, and enabling technology) as costs that should be minimized rather than as investments that should be managed to maximize value while minimizing risk. Funding decisions may be ad hoc, without clearly defined objectives or adequate consideration of their implications for the workforce.	Human capital expenditures are regarded as investments in people and in the agency's capacity to perform its mission. Investment strategies for acquiring, developing, and retaining staff are evaluated and developed in light of modern human capital management practices.	Agency strategies for investing in human capital are fully integrated with needs identified through its strategic and annual planning. The goals and expectations for these investments are transparent and clearly defined, and their rationale is consistent across the range of human capital programs. The efficiency of the investments is continuously monitored and the effectiveness is periodically evaluated.
	Human Capital Approaches Tailored to Meet Organizational Needs	Agency managers believe that meaningful improvements in human capital management are not feasible. The range of tools and flexibilities available to the agency under current laws and regulations have yet to be explored. In addition, the department or agency may have self-imposed constraints in place that are excessively process-oriented or based on obsolete perceptions of civil service laws, rules, or regulations.	Standardization and by-the-book human capital management are yielding to flexible and innovative approaches. Managers have identified the tools and flexibilities available to them under current law and are using many of these to modernize their human capital approaches to help meet current and emerging needs. The agency is looking both within and outside itself for model principles and practices, and is pursuing opportunities to test new and more results-oriented approaches.	The agency tailors its human capital strategies to meet its specific mission needs. As such, it is taking all appropriate administrative actions available to it under current laws, rules, and regulations. In addition, it is exploring opportunities to enhance its competitiveness as an employer and eliminate barriers to effective human capital management. If needed, this includes producing a compelling business case to support selected legislative initiatives.

Human Capital Cornerstone	Critical Success Factors	Level 1	Level 2	Level 3
Results-Oriented Organizational Cultures	Empowerment and Inclusiveness	Managers and staff rigidly adhere to standardized procedures and traditional modes of thinking. Human capital management in the agency is driven by top-down decision-making; relations between management and employees and their representatives are frequently more adversarial than is necessary. Substantial time and resources are consumed by reacting to workplace disputes and long-standing sources of conflict. The agency's approach to equal opportunity is compliance-oriented and reactive.	The agency is lessening its reliance on standardized approaches and encouraging program managers to innovate and take risks. Agency leaders are acknowledging the value of employee input and feedback to improve the workplace environment and focus on results; management and employee representatives stress communication and identify shared interests. The agency works to build a diverse workforce and has declared "zero tolerance" of discrimination.	Managers, teams, and employees at all levels are given the authority they need to accomplish programmatic goals; innovation and problem-solving are encouraged. In developing approaches to managing the workforce, agency leaders seek out the views of employees at all levels and communication flows up and down the organization. Management and employee representatives work collaboratively to achieve organizational outcomes. The agency works to meet the needs of employees of all backgrounds, maintains "zero tolerance" of discrimination, strives actively to reduce the causes of workplace conflicts, and ensures that conflicts are addressed fairly and efficiently. The agency recognizes and demonstrates that an inclusive workforce is a competitive advantage for achieving results.
	Unit and Individual Performance Linked to Organizational Goals	The organizational culture is hierarchical, process-oriented, stovepiped, and inwardly focused. Performance expectations for managers and staff are blurred by an unclear organizational mission and a lack of clearly defined and consistently communicated core values.	The agency has created the basis for employee expectations by defining and communicating its mission, core values, strategic goals and objectives, and business strategies. Expectations for managers are shifting from complying with detailed rules and procedures to accomplishing program goals. The agency's performance management and incentive systems are being designed and tested to make employees aware of their roles and responsibilities in helping the agency achieve its performance goals. Efforts are under way to enhance internal cooperation.	The organizational culture is results-oriented and externally focused. Individual performance management is fully integrated into the agency's organizational goals and is used as a basis for managing the organization. Managers are held accountable through performance management and rewards systems for achieving strategic goals and objectives, creating innovation, and supporting continuous improvement. Clearly defined, transparent, and consistently communicated performance expectations addressing a range of results/customer/employee issues are in place to rate, reward, and hold accountable employees and teams at all levels.

Pointers

Maximizing the value of human capital is a function not just of specific actions but of cultural transformation. This section expands the discussion of the eight critical success factors to highlight the kind of thinking and action that marks high-performing organizations' approaches to managing people through the presentation of *Concepts* and *Steps for Progressing* that agencies can pursue to help maximize the value of their human capital.

Accompanying the discussion of each critical success factor is a case illustration involving a federal agency that has taken positive steps toward addressing one of its human capital challenges. We have also noted, where appropriate, the positive consequences that have resulted from such efforts. The fact that an organization is profiled for a particular critical success factor is not meant to imply complete success or lack of success in other dimensions. Furthermore, the efforts highlighted in the case illustrations are not intended to exemplify all the potential steps an agency may take to make progress under each critical success factor.

Leadership

Commitment to Human Capital Management

Concepts: An effective organization includes a senior leadership team committed to developing more effective ways of doing business, accomplishing results, and investing in human capital. Perhaps the most important element of successful management reform is the demonstrated commitment of top leaders to change.[6] Political leaders as well as senior career executives demonstrate this commitment by personally developing and directing reform, driving continuous improvement, and characterizing the agency's mission in reform initiatives.

[6] U.S. General Accounting Office, *Management Reform: Elements of Successful Improvement Initiatives.* GAO/T-GGD-00-26 (Washington, D.C.: October 15 1999).

Previous GAO reports and testimonies have underscored the importance of having agency leaders and managers with the skills and commitment to drive cultural change that focuses on results.[7] Agency leaders, career and political alike, should be held accountable and should hold others accountable for the ongoing monitoring and refinement of human capital approaches to ensure continuous effectiveness, constant improvement, and increased mission accomplishment within the agency. Moreover, a key factor in the success of any specific strategic human capital initiative is the sustained attention of senior leaders and managers at all levels of the agency to valuing and investing in their employees. This leadership is critical for an agency to overcome its natural resistance to change, to marshal the resources needed in many cases to improve management, to build and maintain an organizationwide commitment to improving its way of doing business, and to create the conditions for effectively improving human capital approaches.

Steps for Progressing: We have noted that successful organizations know the importance of fostering a committed leadership team and providing reasonable continuity through succession planning and executive development. Career executives can provide the long-term commitment and focus needed for the agency to achieve strategic human capital management. Two mechanisms for fostering a committed leadership team are an executive development program and comprehensive succession planning which are linked to agency goals and objectives. The executive development program can include planned developmental opportunities, learning experiences, and feedback for candidates. Support for and use of government and nongovernment executive development programs can help agency leaders in establishing an active executive development program.

To hold managers accountable for human capital management, agency leaders can make an effort to select managers who have the ability to manage human capital and can see the connection between that

[7] For example see U.S. General Accounting Office, *Human Capital: Implementing an Effective Workforce Strategy Would Help EPA to Achieve Its Strategic Goals* (GAO-01-812, July 31, 2001); U.S. General Accounting Office, *HUD Management: Progress Made on Management Reforms, But Challenges Remain* (GAO-02-45, October 31, 2001); U.S. General Accounting Office, *Medicare: 21st Century Challenges Prompt Fresh Thinking About Program's Administrative Structure* (T-HEHS-00-108, May 4, 2000); and U.S. General Accounting Office, *Major Management Challenges and Program Risks: Department of Energy* (GAO-01-246, January 1, 2001).

responsibility and the organization's ability to achieve its long-term goals. Performance appraisal feedback for those managers selected should include a review of human capital management competencies, technical skills, and the accomplishment of program results. Furthermore, agencies can modify incentive systems to emphasize the consideration of long-term consequences of human capital management decisions in addition to immediate results.

Agency leaders have other opportunities for displaying their commitment to human capital. Continuous learning efforts, employee-friendly workplace policies, competency-based performance appraisal systems, and retention and reward programs are all ways in which agencies can value and invest in their human capital. The sustained provision of resources for such programs can show employees and potential employees the commitment agency leaders have to strategic human capital management.

**Leadership:
ommitment to
Human Capital Management**

**ase Illustration
.S. Mint
Mint)**

o demonstrate its commitment to human capital, agency leadership at the U.S. Mint (Mint) has supported several initiatives involving the use of human capital lexibilities. According to officials at the Mint, the full support of agency leadership as attained for these initiatives that were pursued for their strategic value and lignment with business goals. The Mint has pursued approaches in the areas of recruiting, hiring, developing, and retaining talent, increasing the flexibility of the orkforce, and respecting and rewarding employees.

The U.S. Mint is facing considerable challenges to recruit and retain a high quality workforce and, in response, has begun to explore ways to take advantage of all the human capital flexibilities currently available under existing laws and regulations. Recognizing this challenge, the Office of the Chief Financial Officer obtained the full support of agency leadership to assign two full time employees and provide budget resources for a Human Resources Flexibilities Team that was formed to do a two-phase study concerning human capital flexibilities. Phase one included an extensive review of all human capital flexibilities currently available to the Mint under existing laws and regulations. Phase two included an analysis of the Mint's current use of flexibilities and the development of recommendations to agency leadership for increasing their effectiveness as recruitment and retention tools that were prioritized against the Mint's strategic goals. Many new programs have been initiated or are planned as a result of this effort. For example, the Mint has implemented an Information Technology Pilot Study to facilitate the hiring process, which has resulted in the Mint hiring six new IT employees in an average time span of 15 days. Still in development is a Single Agency Qualifications Standard with the purpose of collapsing 13 occupations into one occupation to provide management and employees with the flexibility to move from one job to another. Also in development is an Occupational Training Agreements program in conjunction with the Competency Based Careers initiative. Under the Mint's competency based job description, an employee can sign an occupational training agreement stating that he or she will acquire new skills which will allow for promotion without the one year time-in-grade requirement. According to agency officials, managers, union representatives, human resources staff, and employees were informed of and involved in the development of these new approaches.

Role of the Human Capital Function

Concepts: The effective pursuit of organizational alignment and strategic human capital management requires the integration of human capital approaches with strategies for accomplishing organizational missions and program goals. Such an integration allows the agency to ensure that its core processes efficiently and effectively support mission-related outcomes. This new strategic approach, or redirected focus of the human

capital function, centers on the contributions that it can make to the long-term accomplishment of the agency's mission. The new focus will also require an expansion of the role of human capital professionals from largely paperwork processors to functioning as advisors to and partners with senior leadership and managers as well as technical experts who ensure that merit principles and other national goals are upheld. With these newly skilled human capital professionals as trusted members of the management team, the agency can be provided with the knowledge of strategic human capital management that will allow it to incorporate such principles into the overall strategic and program plans of the organization.

Steps for Progressing: High-performing organizations we examined treat strategic human capital management as fundamental to effective overall management, evidenced through the integration of the human capital function into management teams.[8] The human capital office in such organizations provides effective human capital strategies to meet current and future programmatic needs and works to ensure that merit systems principles and other national goals are fulfilled. The role of human capital professionals should focus on:

- Developing, implementing, and continually assessing human capital policies and practices that will help the agency achieve its mission
- Leading or assisting in the agency's workforce planning efforts
- Participating as partners with line managers
- Reaching out to other organizational functions and components through facilitation, coordination, and counseling
- Providing integrated mission support.

Human capital professionals functioning in this role can serve as an important source of information for strategic workforce planning, continuous learning, and knowledge management initiatives. Moreover, they can provide agency leaders with an interpretation of agency data in areas such as retirement eligibility and projection numbers, retention rates, or skills assessments that can allow agency leaders to more effectively pursue strategic human capital management and organizational alignment. High-performing organizations also recognize the need for leveraging the internal human capital function with external expertise, such as consultants, professional associations, and other organizations, as needed.

[8] U.S. General Accounting Office, *Human Capital: Key Principles From Nine Private Sector Organizations*. GGD-00-28 (Washington D.C.: January 2000).

For human capital professionals to begin acting in this new capacity, agency leaders must ensure that they have the competencies and experience to effectively take on the expected role. One tool available to agencies for identifying the appropriate competencies is the International Personnel Management Association's Human Resource Competency Model. The new role of the human capital function will require agencies to recruit new professionals and train existing professionals in the competencies to help align human capital management with the specific needs and circumstances of each agency. It will also require agencies to constantly reevaluate their internal procedures so that fewer staff resources are required for processing transactions and more resources can be dedicated to meeting the strategic needs of the organization. Streamlining personnel transactions in conjunction with the greater use of technology to automate paper-based personnel processes is critical to making this shift.[9]

[9] U.S. General Accounting Office, *Management Reform: Agencies' Initial Efforts to Restructure Personnel Operations* GAO/GGD-98-93 (Washington, D.C.: July 1998).

Leadership: Role of the Human Capital Function

ase Illustration Nuclear Regulatory Commission NRC)

ecause of the varying needs of managers at different program and regional ffices, the Nuclear Regulatory Commission (NRC) refers to its personnel pecialists as account representatives in an attempt to integrate the human capital unction into management teams. Approximately 5 years ago, the Office of Human Resources within NRC attained its goal of providing full service operations by reating one-stop shopping for its clients.

In an effort to integrate human capital throughout the organization so that it is not a stand-alone function and it is incorporated during the budget process, NRC refers to its personnel specialists as account representatives. Teams of account representatives are assigned to specific program/regional offices within NRC to act in a consultant role for managers. This provides managers in the field with an on-site team of HR account representatives whom they consult with on the full range of HR management issues, services, and operations. The account representatives provide information and insights on such matters as organizational structure and position management, staffing and recruiting strategies, performance management, awards and recognition, and labor and employee relations issues to managers at the various program/regional offices. NRC reported that for the first time, internal fiscal year 2003 budget documents reflected the agencywide human capital management component of agency programs and resources. NRC also reported that this approach, implemented as part of the agency's Planning, Budgeting, and Performance Management process, established an agencywide perspective for human capital management and facilitated an integrated and coordinated approach to human capital planning and budgeting.

Strategic Human Capital Planning

Integration and Alignment

Concepts: Effective organizations integrate human capital approaches as strategies for accomplishing their mission and programmatic goals and results. The effectiveness of this integration and alignment is judged by how well it helps achieve organizational goals. Furthermore, high-performing organizations stay alert to emerging mission demands and human capital challenges and remain open to reevaluating their human

capital practices in light of their demonstrated successes or failures in achieving the organization's strategic objectives.

Steps for Progressing: Organizations can evaluate the extent to which human capital approaches support the accomplishment of programmatic goals through the use of workforce planning. Workforce planning efforts, including succession planning, linked to strategic goals and objectives, can enable an agency to remain aware of and be prepared for its current and future needs as an organization, such as the size of the workforce; its deployment across the organization; and the knowledge, skills, and abilities needed for the agency to pursue its mission. This planning will entail the collection of valid and reliable data on such indicators as distribution of employee skills and competencies, attrition rates, or projected retirement rates and retirement eligibility by occupation and organizational unit. Agencies can use an organizationwide knowledge and skills inventory and industry benchmarks to identify current problems in their workforces and plan for future improvements.

To begin assessing how well existing human capital approaches support their missions, goals, and other organizational needs, agencies can use GAO's human capital framework, *Human Capital: A Self-Assessment Checklist for Agency Leaders* (GAO/OCG-00-14G). This assessment tool identifies a number of human capital elements and underlying values common to high-performing organizations. Furthermore, the planning requirements of the Government Performance and Results Act (GPRA) provide a useful framework for agencies to integrate their human capital strategies with their strategic and programmatic planning.[10] Other tools available, including OPM's five-step workforce planning model, may provide additional guidance.

The appropriate geographic and organizational deployment of employees can further support organizational goals and strategies. Effective deployment strategies can enable an organization to have the right people, with the right skills, doing the right jobs, in the right place, at the right time by making flexible use of its internal workforce and appropriately using contractors. The use of contractors will require decisions to be made, based upon strategic planning efforts, about what types of work are best

[10] Executive Office of the President, Office of Management and Budget, *Circular No. A-11 Part 2: Preparation and Submission of Strategic Plans, Annual Performance Plans, and Annual Program Performance Reports* (Washington, D.C.: July 2001).

done by the agency or contracted out. While reviewing outsourcing options, it is also important to consider whether or not the agency has the expertise available to manage the cost and quality of contractor activities.

Strategic Human Capital Planning: Integration and Alignment

ase Illustration Internal Revenue Service IRS)

In response to the Restructuring and Reform Act of 1998 (Restructuring Act), the Internal Revenue Service (IRS) has taken several steps toward modernizing its rganizational structure and its performance management system. he Restructuring Act led IRS to adopt a new mission statement that places greater importance on serving the public and meeting taxpayer needs, developing and implementing a reorganization plan, and enhancing taxpayers' rights. In responding o the requirements of the Restructuring Act, IRS has begun to align human capital pproaches to assist in accomplishing its strategic goal of improved customer ervice.

In the first 3 years since the implementation of the Restructuring Act, IRS has developed an integrated modernization strategy and implemented a new organizational structure with four customer-focused operating divisions to meet the needs of the taxpayer segments it serves and reflect the agency's strategic plan. The four operating divisions that have resulted from the modernization strategy include: large and mid-size business, tax-exempt and government entities, small business and self-employed, and wage and investment. This new direction, reflected in the strategic plan, outlines three strategic goals and corresponding balanced measures, including a strategic goal of providing service to each taxpayer that is measured through customer satisfaction data. To achieve this goal, IRS has recently implemented a customer service employee-training program that offers employees specialized training geared toward the taxpayer segment they serve. In addition, IRS's new performance management plan calls for each operating division to have complementary goals, objectives, and measures for front-line managers to develop plans identifying the actions they need to take to support operational objectives. To assist in this effort, IRS implemented a realigned performance evaluation system for executives, managers, and supervisors in February 2000.

[a]See U.S. General Accounting Office, *Human Capital: Taking Steps to Meet Current and Emerging Human Capital Challenges* GAO-01-965T (Washington, D.C.: July 17, 2001); U.S. General Accounting Office, *Tax Administration: IRS' Implementation of the Restructuring Act's Personnel Flexibility Provisions* GGD-00-81 (Washington, D.C.: April 2000); U.S. General Accounting Office, *IRS Modernization: IRS Should Enhance Its Performance Management System* GAO-01-234 (Washington, D.C.: February 2001); and U.S. General Accounting Office, *IRS Modernization: Continued Improvement in Management Capability Needed to Support Long-Term Transformation* GAO-01-700T (Washington, D.C.: May 8 2001).

Data-Driven Human Capital Decisions

Concepts: A fact-based, performance-oriented approach to human capital management is crucial for maximizing the value of human capital as well as managing risk. As discussed in the previous section, high-performing organizations use data to determine key performance objectives and goals which enable them to evaluate the success of their human capital approaches. These organizations also identify their current and future human capital needs, including the appropriate number of employees, the key competencies and skills mix for mission accomplishment, and the appropriate deployment of staff across the organization and then create strategies for identifying and filling gaps. Valid and reliable data are critical to assessing an agency's workforce requirements and heighten an agency's ability to manage risk by allowing managers to spotlight areas for attention before crises develop and identify opportunities for enhancing agency results. Although the cost of collecting data may be significant, the costs of making decisions without the necessary information can be equally significant.

Steps for Progressing: Collecting and analyzing data is a fundamental building block for measuring the effectiveness of human capital approaches in support of the mission and goals of an agency. For example, agencies may have data on the number of people receiving training and money spent on training, however to measure the real impact of training, agencies should develop additional indicators to determine the relationship of training efforts to the accomplishment of agency goals and objectives. This effort should include developing a knowledge, skills, and competencies inventory for employees and updating it regularly to determine if there is an increase in the inventory of skills for which employees are being trained. Organizations should also consider collecting and using performance data to identify gaps in performance, skills, competencies, workforce shape, and other areas. Just as human capital approaches are aligned with strategies for accomplishing programmatic goals, so should performance measures of human capital approaches be aligned with performance measures of programmatic efforts.

The types of data that can inform workforce planning efforts include but are not limited to: size and shape of the workforce, skills inventory, attrition rates, projected retirement rates and eligibility, deployment of temporary employee/contract workers, dispersion of performance appraisal ratings, average period to fill vacancies, data on the use of incentives, employee feedback surveys, feedback from exit interviews, grievances, or acceptance rates of job candidates.

Strategic Human Capital Planning: Data-Driven Human Capital Decisions

ase Illustration
Air Force Materiel Command AFMC)

he Air Force Materiel Command (AFMC) has taken steps toward improving the ollection and use of its human capital data to manage the risk it faces in light of retirement eligibility projections and the potential loss of institutional memory by eveloping plans for reshaping its workforce to meet its future business needs. The mission of AFMC, the largest employer of civilians in the Air Force, is to develop, eliver, and sustain the best products for the Air Force.

In October 1998 AFMC began a workforce study, Sustainin the word so that the agency's human capital approaches for civilian, military, and contractor employees could be tailored to meet future business needs such as de ot maintenance and information management. The work force study was conducted in two phases. AFMC reports that Phase I provided an overarching view of the current and projected 2005 work force and the potential impact of a prolonged hiring freeze and a workforce nearing retirement. Phase II was reportedly a more detailed analysis, focusing on work force data collected from AFMC centers, at position-level detail. Results were analyzed in support of workforce planning for the purpose of achieving future business needs. The study led to the development of metrics for fact-based personnel management to collect data for demonstrating the successes and shortcomings of AFMC human capital approaches. Such metrics include retention and attrition of new IT recruits, progress made in fulfilling individual professional development plans, and exit survey data, to name a few. AFMC reported that these data and the results of initial workforce shaping activities have led to a more informed understanding of current workforce gaps and those that may surface as large numbers of employees become eligible to retire. In light of this detailed effort, AFMC's workforce study was designated as one of a number of best practices by the Office of the Secretary of Defense that should be benchmarked for acquisition workforce planning across the department.

[a]See *The Air Force Materiel Command's Work Force Shaping Study: Sustaining the Sword* (April 14, 2000).

Acquiring, Developing, And Retaining Talent

Targeted Investments in People

Concepts: Agencies that embrace the principles of human capital management realize that as the value of their people increases, so does the performance capacity of the organization. They also realize that investing

in and enhancing the value of employees is a win-win goal for employers and employees alike.

In making this investment, leaders should provide resources and incentives that support new ways of working to encourage employees to attain agency goals and objectives and invest in tools to maximize the efficiency and effectiveness of administrative processes. In addition to investing in individual employees, new human capital approaches need sufficient resources for planning, implementation, and evaluation. Resources may include funds, personnel, staff hours, information technology, or facilities and should be provided for in the agency's budget as appropriate. When considering these opportunities, agencies must also consider the competing demands confronting them, the limited resources available, and how those demands and resources require careful balancing and prioritization. Agencies should consider making targeted investments in specific human capital approaches in light of three fundamental ideas:

- First, the approaches should help the agency attract, develop, retain, and deploy the best talent and then elicit the best performance for mission accomplishment.
- Second, the approaches should have clearly defined, well-documented, transparent, and consistently applied criteria for making these investments.
- Third, decisions regarding these investments should be based largely on the expected improvement in agency results.

Steps for Progressing: In confronting the human capital challenges posed by downsizing and the hiring freezes of the 1990s, agencies have the opportunity to develop an environment that supports continuous learning and invest in training and professional development programs, recruitment and retention strategies, or performance incentives.

Agency leaders can show their commitment to strategic human capital management by investing in professional development and mentoring programs that can also assist in meeting specific performance needs. These programs can include opportunities for a combination of formal and on-the-job training, individual development plans, rotational assignments, periodic consultations with senior managers, periodic formal assessments, and mentoring relationships with other employees. One critical area on which to focus better training investments is contract management, where agencies must have enough skilled staff on board to oversee the quality, cost, and timeliness of the services delivered by third parties.

In addition to investing in training and professional development, agencies have the authority to offer recruiting bonuses, retention allowances, and skill-based pay to attract and retain the critical skills needed for mission accomplishment. Investing in performance incentives can also be particularly important in steering the workforce. The success of the incentives can be measured through the use of balanced measures that are results-oriented, client-based, encompass employee feedback and reveal the multiple dimensions of performance.

Acquiring, Developing, and Retaining Talent: Targeted Investments in People

ase Illustration
State Department
State)

idespread shortfalls in the human capital area have contributed to demonstrable hortfalls in agency and program performance in the information technology (IT) area overnmentwide. To address its challenge, the State Department is making targeted investments in its IT workforce to ensure it has the critical skills and competencies on hand for mission accomplishment through the use of retention and skill development trategies.

In light of the increased demand and competition for information technology workers to perform mission-critical tasks, the State Department is investing in learning incentives as a tool to attract and retain IT professionals. The State Department uses professional qualification incentives for IT employees in the Foreign Service and retention allowances for civil service IT employees. Incentives and allowances that range from 5 to 15 percent of base pay are available for those who obtain job-related degrees and certifications; State also provides the majority of funding for the cost of required classes. This program has helped State to increase the skills base of its information technology workforce, attract new IT employees, and retain current employees.

[a]U.S. General Accounting Office, *Human Capital: Meeting the Governmentwide High-Risk Challenge* GAO-01-357T (Washington, D.C.: February 1, 2001).

Human Capital Approaches Tailored to Meet Organizational Needs

Concepts: Agencies need not wait for comprehensive civil service reform to modernize their human capital approaches. Under current laws, rules, and regulations, agencies have the flexibility to offer competitive incentives to attract employees with critical skills; to create the kinds of performance incentives and training programs that motivate and empower employees; and to build constructive labor-management relationships that are based on common interests and the public trust. Agencies should develop a tailored approach to their use of available flexibilities by taking advantage of those

flexibilities that are appropriate for their particular organization and its mission accomplishment.

Steps for Progressing: Successful organizations develop and implement human capital approaches based on a data-driven assessment of the organization's specific needs and capabilities. As discussed in an earlier section, valid and reliable data are the starting point for such assessments. With these data in hand, leading organizations use benchmarking to compare their processes with those of public and private organizations that are considered the best in their fields. Agencies informed by best practices are more likely to develop their own innovative practices. The International Personnel Management Association and the National Academy of Public Administration, among others, have extensive case studies and examples of leading practices that may provide useful lessons for agencies considering employing flexibilities or developing new human capital approaches.

As agencies pinpoint human capital approaches that can help improve performance, they can explore the range of authorities available to them. In that regard, OPM has published *Human Resource Flexibilities and Authorities in the Federal Government* to assist agencies in identifying available flexibilities. Moreover, agencies may develop demonstration projects through OPM, temporarily waiving selected federal civil service laws, rules, and regulations for the purposes of developing, testing, and evaluating new human capital approaches that may have broader applicability than existing ones. Demonstration projects can focus on recruiting and hiring procedures, classification and compensation systems, incentive systems, or on involving employees and labor organizations in personnel decisions. OPM has recently expressed a willingness to conduct more demonstration projects.

Educating agency personnel about the availability and proper use of human capital flexibilities, such as student loan repayment and childcare services, is an important step toward tailoring these approaches to meet identified needs. For example, agencies can explore opportunities to offer recruitment bonuses and retention allowances, skill-based pay, and flex time/flexiplace schedules that will enhance their employees' ability to balance their work and personal lives. Educating agency managers about available workforce restructuring tools, such as targeted early retirements or targeted buyout authorities, can also be an important step to realigning an agency's workforce in light of mission needs and/or to correct skills imbalances.

When determining which approaches are appropriate to use, agencies should seek stakeholder input from human capital professionals, agency managers, and employees and employee unions. As managers are provided authorities to manage human capital, they need to be held accountable for using these authorities in a manner that is fair for employees across the agency.

Acquiring, Developing, and Retaining Talent: Human Capital Approaches Tailored to Meet Organizational Needs

ase Illustration Department of Agriculture (Agriculture)

A number of agencies across the federal government have made a business case or additional human capital flexibilities. Lessons learned during a demonstration project at the Department of Agriculture are currently under consideration for roader applicability in the area of hiring flexibilities.

Beginning in 1990, the Department of Agriculture conducted a demonstration project in the Forest Service and the Agriculture Research Service to test a streamlined job application process that allows interviewing officials to consider all "quality" applicants who meet minimum qualification standards, as opposed to considering only the top three candidates. The first evaluation of the project showed that both the number of candidates per job announcement and the hiring speed increased; the results led Congress to make this authority permanent for these two divisions of Agriculture in October 1998.

Results-Oriented Organizational Cultures

Empowerment and Inclusiveness

Concepts: As in many cases in the human capital area, how you do something is as important as what you do. The involvement of employees both directly and through employee organizations will be crucial to success. Involving employees in the planning process helps to develop agency goals and objectives that incorporate insight about operations from a front-line perspective. Including employees can also serve to increase employees' understanding and acceptance of organizational goals and objectives and improve motivation and morale.[11]

In addition to considering employee input, leading organizations we studied create a set of mission-related program guidelines within which managers operate, and give their managers extensive authority to pursue organizational goals.[12] They seek to ensure that internal processes provide managers with the authority and flexibility they need to contribute to the organization's mission. Allowing managers to bring their judgment to bear in meeting their responsibilities, rather than having them merely comply with rigid rules and standards, can lead to more effective operations.

Managers may also consider delegating authorities to front-line employees who are closer to citizens, drawing from the strengths of employees at all levels and of all backgrounds. Providing managers the discretion to delegate responsibilities to their employees can enable employees to look at customer needs in an integrated way and can streamline processes. As program responsibilities are delegated to employees, agencies should make reasonable efforts to ensure that conflicts of interest are minimized so that the integrity of the program is maintained.

[11] U.S. General Accounting Office, *Human Capital: Practices that Empowered and Involved Employees* GAO-01-1070 (Washington, D.C.: September 2001).

[12] U.S. General Accounting Office, *Managing for Results: Experiences Abroad Suggest Insights for Federal Management Reforms* GGD-95-120 Washington, D.C.: May 2, 1995).

Organizations that promote and achieve a diverse workplace can attract and retain high-quality employees and increase customer loyalty. For public organizations, this also translates into effective delivery of essential services to communities with diverse needs. Leading organizations understand that they must support their employees in learning how to effectively interact with and manage people in a diverse work place. They recognize the impact that diverse clients will have upon the success or failure of an organization. In an effort to foster an environment that is responsive to the needs of diverse groups of employees, these organizations identify opportunities to train managers in techniques that create a work environment that maximizes the ability of all employees to fully contribute to the organization's mission. They also identify opportunities for resolving workplace disputes fairly and efficiently and work to ensure that they create a workplace free of discrimination and in which employees do not fear or experience retaliation or reprisal for reporting waste, fraud, and abuse or for engaging in activities protected by antidiscrimination statutes.[13]

Steps for Progressing: Our work has shown that leading organizations commonly sought their employees' input on a periodic basis and explicitly addressed and used that input to adjust their human capital approaches.[14] The organizations collected feedback using employee satisfaction surveys, convening focus groups or employee advisory councils, and/or including employees on task forces. Another way managers can obtain feedback is through the use of upward feedback, which one organization we studied used to assess both the individual manager's and team performance.

[13] U.S. General Accounting Office, *Human Capital: The Role of Ombudsmen in Dispute Resolution* GAO-01-466 (Washington, D.C.: April 2001).

[14] U.S. General Accounting Office, *Human Capital: Key Principles from Nine Private Sector Organizations* GAO/GGD-00-28 (Washington, D.C.: January 2000).

A high-performing agency also maintains an inclusive workplace in which perceptions of unfairness are minimized and workplace disputes are resolved by fair and efficient means. In an effort to find a more effective method for resolving workplace disputes, federal agencies have been expanding their alternative dispute resolution programs. One approach used to deliver alternative dispute resolution services has been the creation of ombudsmen offices to provide an informal option to deal pragmatically with conflicts and other organizational climate issues.[15] An ombudsman not only works to resolve disputes, but is also in a position to alert management to systemic problems and thereby help correct organizationwide issues and develop strategies for preventing and managing conflict. To complement investments in alternative dispute resolution programs, organizations we studied also invested in training efforts aimed at preventing disputes and equipping employees and managers with skills to resolve disputes themselves.[16]

Organizations we studied reported that they involved unions and incorporated their input into proposals before finalizing decisions. Engaging employee unions in major changes such as redesigning work processes, changing work rules, or developing new job descriptions can help achieve consensus on the planned changes, avoid misunderstandings, speed implementation, and more expeditiously resolve problems that occur.

Overall, our work suggests that leading organizations take the following steps to foster an environment that empowers and involves employees (many of these points are discussed in further detail under other Critical Success Factors):

- Demonstrate top leadership commitment to management reform
- Engage employee unions
- Train employees to enhance their knowledge, skills, and abilities
- Use employee teams to help accomplish agency missions
- Involve employees in planning and sharing performance information
- Delegate authority to front-line employees.

[15] GAO-01-466.

[16] U.S. General Accounting Office, *Alternative Dispute Resolution: Employers' Experiences with ADR in the Workplace* GAO/GGD-97-157 (Washington, D.C.: August 1997).

Results-Oriented Organizational Cultures: Empowerment and Inclusiveness

ase Illustration National Institutes of Health NIH)

As suggested above, agencies are taking different steps to create cultures that mpower employees, are inclusive of different work styles, and resolve workplace isputes effectively. The National Institutes of Health (NIH) Office of the mbudsman is an integral part of the agency's strategy to create a fair, equitable, nd nondiscriminatory workplace.

The Office of the Ombudsman at NIH has served the NIH community since 1999. In addition to helping resolve commonly recognized workforce conflicts like discrimination, the ombudsman office serves as a complement to the agency's formal dispute resolution process on issues not related to discrimination, such as disputes over credit for authorship and intellectual property rights arising from scientific research. The office assists in conflict intervention, conflict prevention, and internal education on ways to manage individual and group conflict. NIH officials said that the office has helped to resolve and prevent disputes to such a degree that the two offices that handle formal workplace disputes, the Office of Intramural Research and the Office of Equal Opportunity, have seen a drop in their caseloads since the office was established.

Unit and Individual Performance Linked to Organizational Goals

Concepts: Shifting the orientation of individual performance expectations and accountability systems from an adherence to process and the completion of activities to a greater focus on contributions to results will require a cultural transformation in most federal agencies. One way to embed a results-orientation is to align individual employee performance expectations with agency goals so that individuals understand the connection between their daily activities and their organization's success. High-performing organizations have recognized that a key element of a fully successful performance management system is to create a "line of sight" that shows how individual responsibilities can contribute to organizational goals. As a first step, these organizations align their top leadership's performance expectations with organizational goals and then cascade performance expectations to lower organizational levels.

Steps for Progressing: At the most senior level, one way to encourage accountability within an organization is through the use of executive performance agreements. Our work has shown that agencies have benefited from their use of results-oriented performance agreements for political and senior career executives.[17] Although each agency developed and implemented performance agreements that reflected its specific organizational priorities, structures, and cultures, the performance agreements met the following characteristics. They

- strengthened alignment of results-oriented goals with daily operations
- fostered collaboration across organization boundaries
- enhanced opportunities to discuss and routinely use performance information to make program improvements
- provided a results-oriented basis for individual accountability, and
- maintained continuity of program goals during leadership transitions.

Governmentwide, agencies are to place increased emphasis on holding senior executives accountable for organizational goals. OPM amended regulations that change the way agencies evaluate the members of the Senior Executive Service (SES). While agencies will need to tailor their performance management systems to their unique organizational requirements and climates, they nonetheless are to hold executives accountable for results; appraise executive performance on those results balanced against other dimensions, including customer satisfaction and employee perspective; and use those results as the basis for performance awards and other personnel decisions.[18] Agencies were to implement the new policies for the SES appraisal cycles that began in 2001.

High-performing organizations design and implement performance management systems that further cascade accountability for results to managers and front-line employees. These systems define individual accountability by setting expectations so staff understand how their daily activities contribute to results-oriented programmatic goals. A well-managed system facilitates communication during the year so that staff receive constructive feedback about organizational and individual

[17]U.S. General Accounting Office, *Managing for Results: Emerging Benefits From Selected Agencies' Use of Performance Agreements* GAO-01-115 (Washington, D.C.: October 2000).

[18] Information on employee perspective is to focus on such things as how executives lead and motivate employees, address job and training needs, and provide a healthy working environment.

performance. At the end of the year, appraisal systems provide ratings and feedback that meaningfully differentiate among performers.

To promote teamwork and enhance internal cooperation, organizations we studied encourage the use of cross-functional or matrixed teams for achieving strategic goals and objectives and commonly attempt to develop pay and incentive programs to foster such efforts.[19] High-performing organizations balance their pay and incentive programs to encourage both individual and team-based contributions to achieving results.

[19] GAO/GGD-00-28.

Results-Oriented Organizational Cultures: nit and Individual Performance Linked to Organizational Goals

ase Illustration The Veterans Health Administration VHA)

ne tool available to agencies for aligning individual employee expectations with gency goals is the executive performance agreement. The Veterans Health Administration (VHA) has used performance agreements between career executives nd the Under Secretary for Health since 1996.[a] For staff at lower levels, greements are being cascaded to varying extents.

VHA serves the medical needs of veterans by providing primary and specialized care at hundreds of service delivery locations that are grouped into Veterans Integrated Service Networks (VISN), designed to coordinate the activities of hospitals, clinics, nursing homes, and other facilities within a given geographic area. The head of each VISN, the director, is responsible for fulfilling an individual annual performance agreement. The performance agreement consists of three parts:

. core competencies that define the management behaviors directors are expected to exhibit, such as interpersonal effectiveness and technical com etenc ;

2. priority areas for VHA as an organization, such as patient safety; and

3. health care performance goals that gauge each VISN's progress towards meeting HA s mission with specific targets that establish achievement levels necessary to receive a performance rating of "fully successful" or exceptional.

VHA has a standardized approach to monitoring VISN directors' progress during the year that consists of formal reporting of progress towards the health-care related oals and areas of special interest included in their agreements, which is then followed by meetings to discuss performance. To evaluate the performance of VISN directors at the end of each fiscal year, VHA uses both quantitative and qualitative performance information to contribute to its judgment when making evaluation decisions. Although VHA has not evaluated the discrete contributions performance agreements have made to its performance, VHA indicated that including corresponding goals in the performance agreements of VISN directors contributed to improvement in those key organizational goals.

[a]GAO-01-115.

Appendix A: Related GAO Products

GAO Reports Corresponding to the Eight Critical Success Factors in the Model of Strategic Human Capital Management

Note: Some reports are listed under more than one critical success factor.

General Human Capital Reports

Managing Human Capital in the Government Workplace, delivered by the Honorable David M. Walker, Comptroller General of the United States at the JFK School of Government, Harvard University on November 9, 2001.

Human Capital: Taking Steps to Meet Current and Emerging Human Capital Challenges. GAO-01-965T. Washington, D.C.: July 17, 2001.

The Performance Conference: Managing for Results, delivered by The Honorable David M. Walker, Comptroller General of the United States, sponsored by National Academy of Public Administration (NAPA), on June 12, 2001.

Managing For Results: Federal Managers' Views on Key Management Issues Vary Widely Across Agencies. GAO-01-592. Washington, D.C.: May 25, 2001.

Government Challenges in the 21st Century, delivered by The Honorable David M. Walker, Comptroller General of the United States, at the National Press Club, Washington, D.C., on April 23, 2001.

Human Capital and Knowledge Management: Connecting People to Information, delivered by The Honorable David M. Walker, Comptroller General of the United States, April 12, 2001

Major Management Challenges and Program Risks: A Governmentwide Perspective. GAO-01-241. Washington, D.C.: January 2001.

High Risk Series: An Update. GAO-01-263. Washington, D.C.: January 2001.

High Risks and Major Challenges, delivered by The Honorable David M. Walker, Comptroller General of the United States, at the Association of Government Accountants Federal Leadership Conference, on January 25, 2001.

GAO's 2001 *Performance and Accountability and High-Risk Series Press Briefing Talking Points*, presented by Comptroller General David M. Walker, Washington, D.C., on January 17, 2001.

Human Capital: A Self-Assessment Checklist for Agency Leaders. GAO/OCG-00-14G. Washington, D.C.: September 2000.

Human Capital: Managing Human Capital in the 21st Century. GAO/T-GGD-00-77. Washington, D.C.: March 9, 2000.

Human Capital: Key Principles From Nine Private Sector Organizations. GAO/GGD-00-28. Washington, D.C.: January 31, 2000.

Management Reform: Elements of Successful Improvement Initiatives. GAO/ T-GGD-00-26. Washington, D.C.: October 15, 1999.

The Excepted Service: A Research Profile. GAO/GGD-97-72. Washington, D.C.: May 1997.

Executive Guide: Effectively Implementing the Government Performance and Results Act. GAO/GGD-96-118. Washington, D.C.: June 1996.

Transforming The Civil Service: Building The Workforce Of The Future. GAO/GGD-96-35. Washington, D.C.: December 20 1995.

Commitment to Human Capital Management

Human Capital: Attracting and Retaining a High-Quality Information Technology Workforce. GAO-02-113T. Washington, D.C.: October 4, 2001.

Small Business Administration: Steps Taken to Better Manage Its Human Capital, but More Needs to Be Done. GAO/T-GGD/AIMD-00-256. Washington, D.C.: July 20, 2000.

Senior Executive Service: Retirement Trends Underscore the Importance of Succession Planning. GAO/GGD-00-113BR. Washington, D.C.: May 12, 2000.

Medicare: 21st Century Challenges Prompt Fresh Thinking About Program's Administrative Structure. GAO/T-HEHS-00-108. Washington, D.C.: May 4, 2000.

Human Capital: Using Incentives to Motivate and Reward High Performance. GAO/T-GGD-00-118. Washington, D.C.: May 2, 2000.

Human Capital: Strategic Approach Should Guide DOD Civilian Workforce Management. GAO/T-GGD/NSIAD-00-120. Washington, D.C.: March 9, 2000.

Management Reform: Using the Results Act and Quality Management to Improve Federal Performance. GAO/T-GGD-99-151. Washington, D.C.: July 29, 1999.

Role of the Human Capital Function

Management Reform: Agencies' Initial Efforts to Restructure Personnel Operations. GAO/GGD-98-93. Washington, D.C.: July 13, 1998.

Integration and Alignment

Small Business Administration: Current Structure Presents Challenges for Service Delivery. GAO-02-17. Washington, D.C.: October 26, 2001.

Human Capital: Attracting and Retaining a High-Quality Information Technology Workforce. GAO-02-113T. Washington, D.C.: October 4, 2001.

Single-Family Housing: Better Strategic Human Capital Management Needed at HUD's Homeownership Centers. GAO-01-590. Washington, D.C.: July 26, 2001.

Human Capital: Implementing an Effective Workforce Strategy Would Help EPA to Achieve Its Strategic Goals. GAO-01-812. Washington, D.C.: July 2001.

Managing For Results: Human Capital Management Discussions in Fiscal Year 2001 Performance Plans. GAO-01-236. Washington, D.C.: April 24, 2001.

IRS Telephone Assistance: Opportunities to Improve Human Capital Management. GAO-01-144. Washington, D.C.: January 30, 2001.

Managing For Results: Emerging Benefits From Selected Agencies' Use of Performance Agreements. GAO-01-115. Washington, D.C.: October 30, 2000.

Customer Service: Human Capital Management at Selected Public and Private Call Centers. GAO/GGD-00-161. Washington, D.C.: August 22, 2000.

Human Capital: Design, Implementation, and Evaluation of Training at Selected Agencies. GAO/T-GGD-00-131. Washington, D.C.: May 18, 2000.

Tax Administration: IRS' Implementation of the Restructuring Act's Personnel Flexibility Provisions. GAO/GGD-00-81. Washington, D.C.: April 28, 2000.

Human Capital: Strategic Approach Should Guide DOD Civilian Workforce Management. GAO/T-GGD/NSIAD-00-120. Washington, D.C.: March 9, 2000.

SSA Customer Service: Broad Service Delivery Plan Needed to Address Future Challenges. GAO/T-HEHS/AIMD-00-75. Washington, D.C.: February 10, 2000.

Federal Workforce: Payroll and Human Capital Changes During Downsizing. GAO/GGD-99-57. Washington, D.C.: August 13, 1999.

Management Reform: Using the Results Act and Quality Management to Improve Federal Performance. GAO/T-GGD-99-151. Washington, D.C.: July 29, 1999.

Performance Management: Aligning Employee Performance With Agency Goals at Six Results Act Pilots. GAO/GGD-98-162. Washington, D.C.: September 4, 1998.

Managing For Results: Experiences Abroad Suggest Insights for Federal Management Reforms. GAO/GGD-95-120. Washington, D.C.: May 2, 1995.

Data-Driven Human Capital Decisions

Overseas Presence: More Work Needed on Embassy Rightsizing. GAO-02-143. Washington, D.C.: November 27, 2001.

HUD Management: Progress Made on Management Reforms, but Challenges Remain. GAO-02-45. Washington, D.C.: October 31, 2001.

Human Capital: Attracting and Retaining a High-Quality Information Technology Workforce. GAO-02-113T. Washington, D.C.: October 4, 2001.

Single-Family Housing: Better Strategic Human Capital Management Needed at HUD's Homeownership Centers. GAO-01-590. Washington, D.C.: July 26, 2001.

Human Capital: Implementing an Effective Workforce Strategy Would Help EPA to Achieve Its Strategic Goals. GAO-01-812. Washington, D.C.: July 2001.

Human Capital: Taking Steps to Meet Current and Emerging Human Capital Challenges. GAO-010-965T. Washington, D.C.: July 17, 2001.

Federal Employee Retirements: Expected Increase Over the Next 5 Years Illustrates Need for Workforce Planning. GAO-01-509. Washington, D.C.: April 27, 2001.

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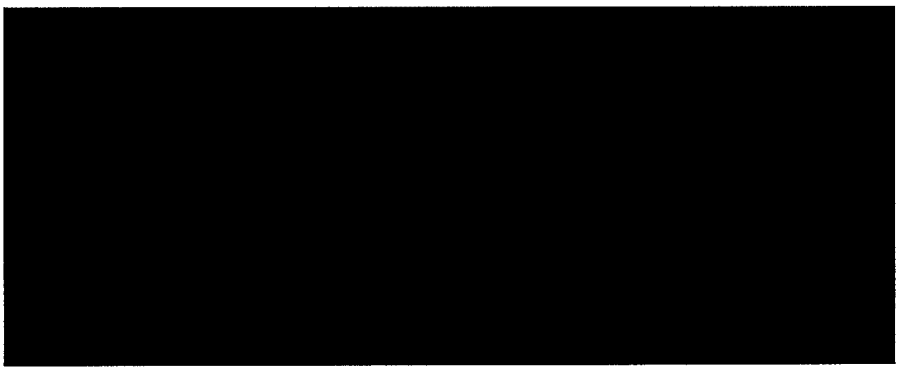
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