The background of the slide features a stylized American flag with stars and stripes, set against a dark blue gradient background.

Maximizing **Human Capital** **IN THE GOVERNMENT WORKPLACE**

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The Human Capital Idea: Two Central Principals

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.

Key Enablers for Effective Management

- People
- Process
- Technology
- Environment

**Environment includes both physical
facilities and organization culture**

People: The Most Significant Organizational Asset

In knowledge-based organizations, people:

- define an agency's character
- drive its capacity to perform
- often constitute largest budgetary expense

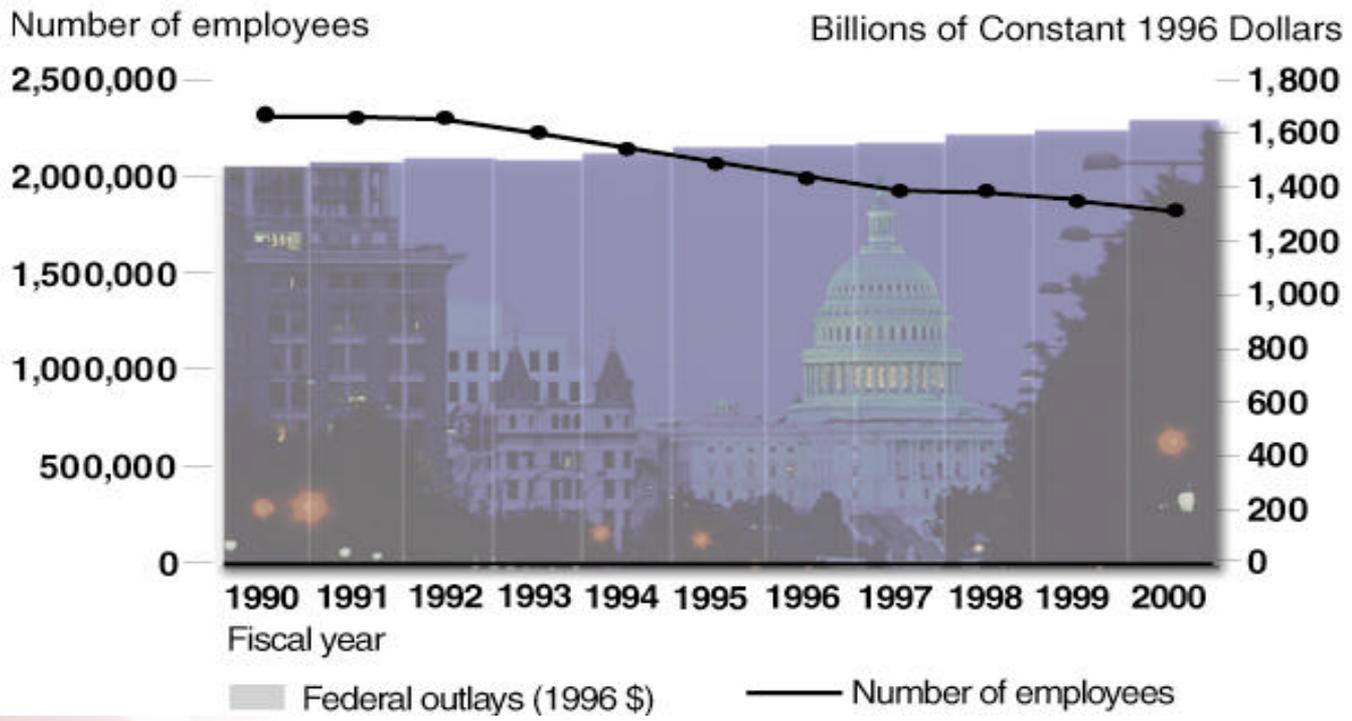
An Enabler of Cultural Transformation

- **Effective strategic human capital management approaches serve as the foundation 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**

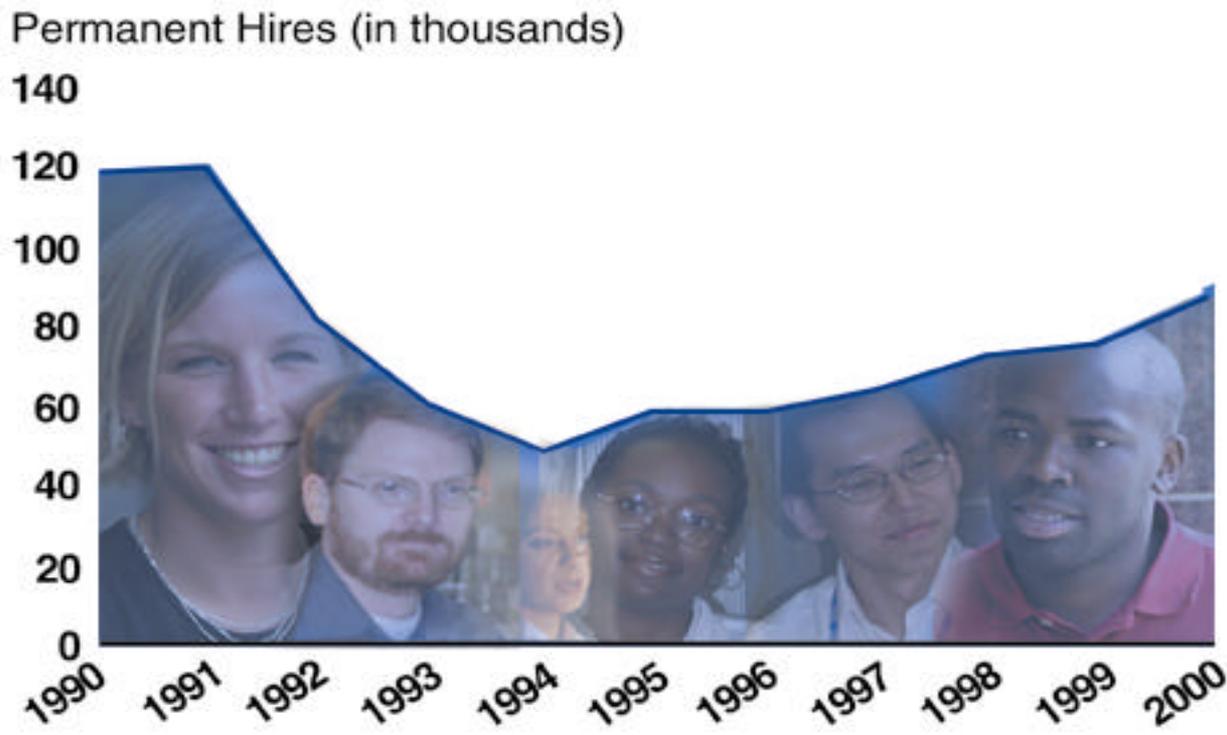
Impact of Budgetary Cuts, Downsizing, and Outsourcing

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 - Outdated performance appraisal systems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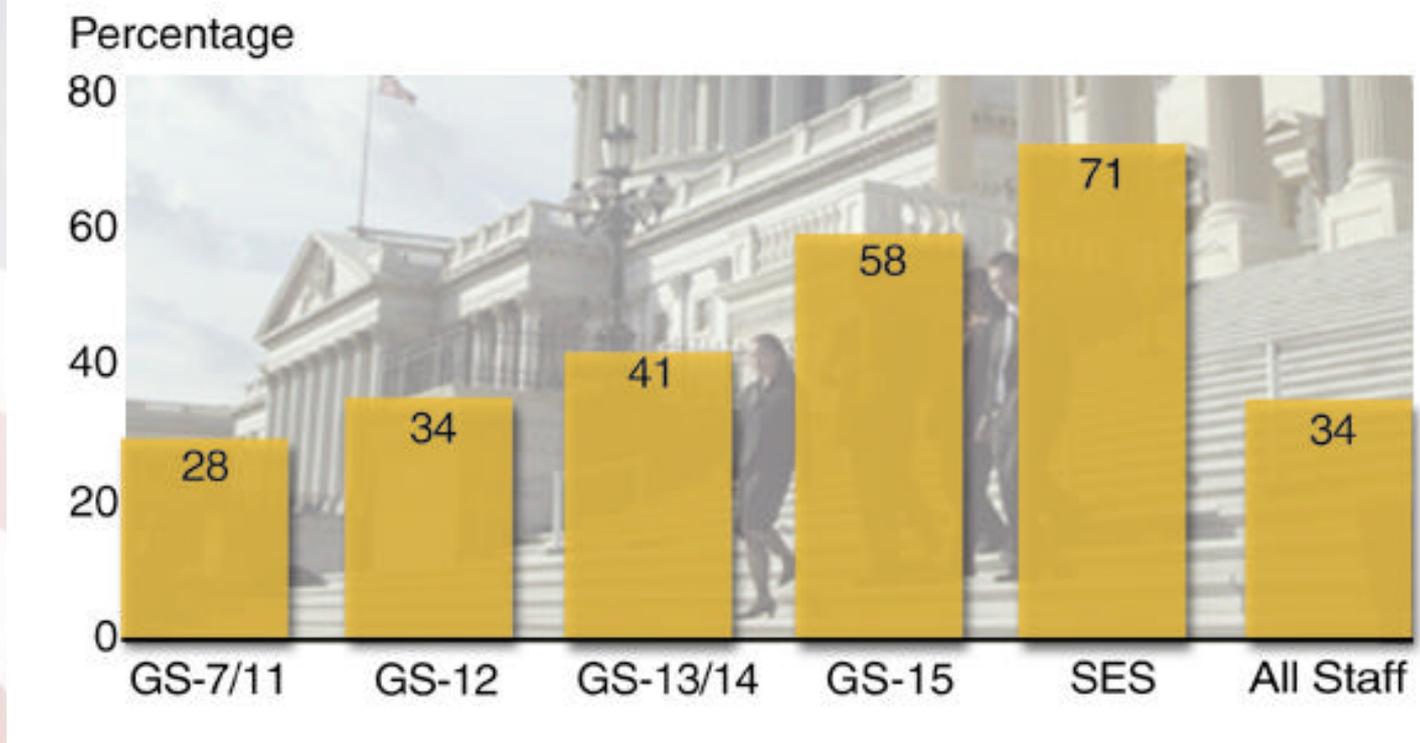
Federal Government: Doing More with Fewer People



Federal Permanent Hires FY 1990-FY1999



Federal Retirement Eligibility Rates FY 1999 - FY 2005



Federal Management Reforms of the 1990's

- **Financial Management**
- **Information Technology Management**
- **Results-Oriented Management**

- **A consensus has yet to emerge on strategic human capital management and comprehensive civil service reform.**

Efforts are Beginning to Build Momentum for Change

- GAO designated government-wide high-risk area
 - President's management agenda
 - OMB "stop light" scorecard
 - OPM human capital balanced scorecard
 - Legislative reforms
-

A Model of Strategic Human Capital Management

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

- **Defines critical success factors for strategically managing HC**
- **Identifies stages through which agencies progress as they increasingly manage human capital strategically**
- **Critical success factors and stages of development should not be considered in isolation from one another**

Three Levels

- Level 1** **An agency is unlike to have effectively put these principles into practice**
- Level 2** **An agency is clearly taking steps to apply them**
- Level 3** **An agency has made these principles an integral part of its approach to doing business, and can see demonstrable results from having done so**
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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

Results-Oriented Organizational Cultures



Empowerment & Inclusiveness

Unit and Individual Performance Linked to Organizational Goals

Acquiring, Developing, and Retaining Talent



Targeted Investments in People

Human Capital Approaches Tailored to Meet Organizational Needs

Targeted Investments in People

- **Human capital expenditures are regarded as investments in people and the agency's capacity to perform its mission**
 - **Strategies for investing in human capital are based on identified program needs**
 - **The efficiency and effectiveness of the investments is continuously monitored and evaluated**
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Human Capital Approaches Tailored to Meet Organizational Needs

- **Managers are identifying and using tools available under current law to modernize their human capital approaches**
 - **Human capital approaches are tailored to meet specific mission needs**
 - **A compelling, data-driven business case is made for additional legislative flexibilities**
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Targeted Investments Fundamentals

- **First, the approach should help 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**
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Next Steps: Responding to the Challenge

- **Agencies must use all appropriate flexibilities available under current law while pursuing results-based people management.**
 - **Once shortcomings of existing flexibilities are realized, agencies should pursue additional, selective legislative opportunities for new strategic human capital management tools.**
 - **All interested parties should work towards more comprehensive civil service reform.**
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Contacting GAO

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

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