Strategic
Human Resources Management

Summary Report of a
Roundtable Discussion
22 October 1998

U.S. Office of Personnel Management
Office of Merit Systems Oversight and Effectiveness
Office of Merit Systems Effectiveness

This is a summary of meeting discussions and does not necessarily reflect official OPM policy.

Strategic Human Resources Management

Purpose

The purpose of this report is to provide a summary of a roundtable discussion on Strategic Human Resources Management (HRM) conducted at OPM on October 22, 1998. We hope the discussion and the distribution of this report will stimulate and encourage managers, particularly those involved in HRM and strategic planning, to begin to coordinate efforts to integrate and align HRM with organizational mission and strategic planning. Background information, a review of the issues discussed, contextual information, a synopsis of the agency presentations, and a summary of the meeting follow. A list of participants is also attached. This paper does not constitute an official policy position by the U.S. Office of Personnel Management or any other participating Federal agency.

Background

The *Government Performance and Results Act (GPRA)* of 1993 has created a focus on strategic planning never before seen in the Federal sector. Agencies have made significant progress in the last five years in downsizing and restructuring their operations to focus on results and customer service. If the Government is to continue to successfully and effectively improve its operations, agency leaders must make a conscious effort to integrate strategic human resources management into their agency's planning and decision making processes. After all -- even with all the financial resources, materials, computers, buildings and facilities one can imagine -- without people, there would be no Government! Put another way, even with minimal money, materials, computers, and buildings, if we have the right people, in the right place, at the right time, an Agency can still function. Just think of the possibilities if we have reasonable funding, materials, and facilities and the right people in the right place at the right time! We simply must attend to our people, and their strategic value, in order to have the most effective Government possible.

The Office of Merit Systems Oversight and Effectiveness is pleased to be taking the lead on this issue. Our involvement has two origins. First, a series of meetings between members of the Chief Financial Officer (CFO) Council and the Interagency Advisory Group (IAG) planning committee resulted in a desire for continuing dialog about integrating HRM in the strategic planning process. Second, there is a desire on the part of the Office of Personnel Management (OPM) and the HRM community as a whole to become more strategically focused and show how and where we add strategic value to agency missions.

The Roundtable discussion was a first step in addressing the issue of strategic human resources management. The objective of the meeting was to discuss ways to ensure people -- our human resource capital -- are a strategic consideration in accomplishing agency missions. The ultimate goal is effective partnership between HRM professionals and agency managers in strategic planning -- a seat at the strategic table -- and integration of HRM into agency strategic and annual performance plans. This meeting focused on philosophical and practical issues involved in

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improving communication and partnership between HRM professionals, strategic planners and agency management.

Issues

Several questions were presented to the group as a way to focus discussion on key issues. These questions were intended only to stimulate and guide the discussion. The questions were not meant to be all-inclusive, but were provided as a starting place and to motivate thoughts and comments. The discussion did touch on all of these issues to varying degrees.

- What is the difference between "the management of human resources" and the "human resources management system?"

- How should HRM be addressed in an agency strategic plan? Is there one "best practice" to be modeled by others? Or, are different practices equally valid?

- What is the linkage between effective HRM and the accomplishment of an agency's mission? Are both workforce management and a responsive system important? Are there different outcomes for each?

- How can the HR staff contribute to the agency strategic planning process? How can HR get "to the table?"

- Is there more to "strategic human resources management" than just alignment of systems and practices with goal achievement?

Context

Since the Roundtable participants came from a variety of agencies and perspectives, two handouts were reviewed to set a common framework, or context, for the discussion. In an article titled *Reinventing State Civil Service Systems: The Georgia Experience*, (1998), Stephen Condrey, Senior Associate and Program Director of the Carl Vinson Institute of Government at the University of Georgia, asserts that what sets "strategic human resource management" apart from traditional approaches is its "goal orientation." He states:

> "A critical element in moving toward a strategic approach to human resource management is a shift in goal orientation. The traditional goal ... focuses on the uniform enforcement of rules, policies, and procedures, that is, the effective objectification of personnel decision-making. Taken to the extreme, this concentration on rule enforcement becomes the ... primary end ... [T]he goal orientation of the reform model is manager centered. Here, the decentralization of the personnel function forces the goal orientation to cluster around the individual goals of agency managers. At the same time, such an orientation may mute overall organizational goals, such as pay equity and affirmative action ... The strategic

model of public human resource management seeks to resolve the above problems by forging a goal orientation that is respectful of effective human resource management practices yet responsive to the organization's overall goals... The strategic model seeks to enhance effective and responsive organizational functioning while still respecting the traditional values of merit and equity. This is possible when personnel service delivery is collaborative and when there is a mutual understanding of both organizational and human resource system goals." (Page 22)

These ideas are also presented, along with other relevant information, in Stephen Condrey's *Handbook of Human Resource Management in Government*, (1998).

To further frame the discussion, each participant was also given excerpts from a draft audit guide prepared by the Office of the Auditor General of Canada. This document sets forth a "model for management of people" consisting of 3 elements:

- The Human Resource Management Framework - This is the legislative/administrative framework of both external and internal constraints and requirements which managers in the public service must take into account when managing people. "Managers are not free to manage people any way they like." (Audit Guide Exhibit 1, attached)

- The Human Resource Systems Element - These are the systems designed to assist (and sometimes, to control) management in its management of people. When properly designed, these systems facilitate the achievement of results or other objectives and they normally follow traditional personnel activities such as the planning system, the hiring (or de-hiring) system, the development system, etc. (Audit Guide Exhibit 2, attached)

- The Management-of-People Practices Element - this element recognizes and highlights the fact that in any organization managers, through their relationships with employees and their daily decisions, are the most determinant factors of the quality of human resources management. The management of people occurs at the interface between managers and the people working with them - and includes such practices as assigning work, hiring staff, coaching, providing tools, giving feedback, resolving conflicts, etc. (Audit Guide Exhibit 3, attached). "Management practices are at the core of managing human resources."

Following this description of Management of People Model, the *Audit Service Guide* goes on to postulate that "If organizations manage people effectively and efficiently, a number of outcomes should be normally achieved. . ." The families of outcomes resulting from effective and efficient human resource management as taken from the *Guide* are as follows: (Page 18-19)

- Quality leadership and direction

  The work force is effectively led by a credible, cohesive, competent and sufficiently stable management team providing adequate direction and modeling the values espoused by the organization.

- A sustainable competent work force

  The work force has the necessary profile (in terms of mix of permanent, temporary or contract personnel) and the knowledge, skills aptitudes and attitudes necessary to meet the demand and accomplish the various tasks necessary to achieve results in the short as well as in the long term.

- A productive workforce

  The work force is organized and managed as to make the best use of the knowledge and skills of people to achieve expected results in a timely, effective and efficient manner.

- A work force committed to achieving results

  The work force is dedicated and committed to high quality service or products because employees have the tools, the information and the authority and the support from management necessary to achieve desired results.

- An adaptive and learning workforce

  The work force is adapting to changing circumstances and learning from past experiences, and that of others, to improve its performance.

- A safe and enabling work environment

  The working environment is safe - from physical as well as from a psychological or emotional perspective - and fostering a commitment and the loyalty of the work force necessary to achieve results and to improve performance while taking into account the needs of the individuals for personal satisfaction.

- An ethical work force

  The work force behaves in a manner consistent nature of the business and the values espoused as to avoid behaviors - such as real or apparent conflict of interest - that might negatively affect the image or the credibility of the organization.

- A work force accountable for results

  The performance of the work force - at the individual;, as well as the team or the corporate levels - is periodically assessed against expected results and reported and go[o]d performance is appropriately recognized and rewarded while corrective measures are taken to address inadequate performance.

- The protection of key human resource assets

The key human resource assets - know-how, skills, intellectual property or expertise - that constitute the strength of the organization or competitive advantage are adequately protected against loss.

Examples of the Integration of Strategic Human Resources

The Department of Education

The Department of Education strategic plan has four goals, three focused on the education mission, and one focused on making the Department a high performance organization. The focus on the Department's one customer, "the learner," the strong vision and support of agency administration, the commitment to involve employees and key stakeholders, and the attention from external sources including the President and the Government Accounting Office (GAO) all impacted the process and outcome of the strategic planning endeavor.

The Agency was successful in its goal of developing a plan that every employee understood. In addition to the bottom-up information obtained from retreats, surveys and focus groups with employees and stakeholders, there was also top-down influence in the form of Department goals established in the President's State of the Union addresses. The three Education mission goals were strongly influenced by external sources, in particular the President. The human resources goal originated within the organization due to HR issues raised during previous reinvention efforts, through employee surveys, and as a result of a GAO report. In addition, the Department's senior administrators were very "gung ho" about the inclusion of HR in the plan from the beginning. This allowed easier access to the strategic planning table for HRM. It also probably helped result in language in the Strategic Plan directly linking HRM goals to being able to provide quality service to the Department's ultimate customer.

The Department of Veterans Affairs

The Department of Veterans Affairs (VA) is similar to the Department of Education in that it serves one customer, "the veteran", has external pressures in the form of changes in health delivery systems, and has internal pressures to delivery benefits more efficiently with a greater focus on customer service. The Department has also had external reviews from National Performance Review (NPR) and GAO that specifically addressed HRM issues. The VA strategic plan addresses HRM issues in its *Management Strategies* Section that also includes world class customer service, and maximum return on taxpayer investment. Emphasis on cross-functional teams and collaboration with National Academy of Public Administration (NAPA), as well as, internal and external stakeholders helped develop a good strategic planning process. VA now has a new view of HR as helping employees help customers. There is less focus on transactional aspects of HR and more focus on the strategic contributions of HR, particularly in the form of workforce planning. This is especially important to VA as it moves into an era where much of its workforce is nearing retirement age, and most of those remaining or replacing these employees will no longer have personal experience with military service. There is a definite need for HRM

professionals to come to the strategic table with tangible products presented in terms that administrators and financial managers can understand. For VA, this tangible product is help in work force planning. VA is discovering that it is far easier to determine where the work force is, than to discern where it needs to go and how to fill in the gaps. Because the human resource managers and staff are meeting this challenge, they are ensuring their continued inclusion in the strategic planning process.

Summary

While there was agreement that terminology often impedes discussion of what is meant by "strategic human resources management," or even of "human resources management," what evolved during the discussion was the notion that there are three major sets of issues involving human resources (HR) that can or perhaps should be addressed in the strategic planning process.

First, the human resources of the agency - the people/workforce that carry out the mission - must be considered at the highest levels (Department, Agency or Bureau-wide) when making strategic choices and decisions about program goals and priorities. HR issues which must be addressed at this level include impact of program decisions on: number of people needed in the future (more or less); source of people (civil service or contractor); tenure of the workforce (permanent cadre or flexible force); capabilities of the workforce (steady or changing skill mix/requirement); location of the workforce (geographic deployment); and the capacity of the workforce to take on new or changing goals and priorities. The bottom line is "workforce planning" must be incorporated into all aspects of strategic planning because an Agency cannot achieve its goals without making sure the right people are, or will be, available to do the right job. This workforce planning expertise is what an effective HR staff should be able to bring to the planning table.

Having accounted for the impact of program goals on the current and future agency workforce, the second set of HR issues needing attention in the planning process should address the *"management"* of this workforce. Specifically, what management actions or practices will produce outcomes such as a competent, diverse and perhaps flexible workforce, a safe and enabling work environment, a productive workforce, a workforce committed to achieving results and to meeting customer needs, a workforce with quality leadership, et. al. Most current agency strategic plans do contain outcome goals (or strategies stated as improvement goals) which address these issues, and for many agencies these are the only HR goals. To their credit, some agencies explicitly make the connection between the strategies chosen to produce these outcomes and achievement of their strategic goals (usually referred to as "the alignment of HR with mission accomplishment").

The third set of HR issues that need to be addressed in the planning process is frequently confused with and combined with the workforce management issues mentioned above. This is the sphere within which "personnel" has largely operated in the past. One way to characterize this set of issues is "HRM system goals," which address the effectiveness and efficiency of HR programs, tools, processes and systems in supporting the program and agency goals. These include process and cycle times, cost, automation, customer satisfaction, and other similar aspects of the HR

service delivery system such as its structure, the HR staff, and the HR legal framework and policies.

Although there may be general agreement about the types of HR issues that need to be addressed in strategic planning, there did not appear to be a consensus on one best model or method of integrating HRM into strategic plans. The degree to which HRM may be a goal unto itself, or a strategy used to achieve goals, may best be determined by individual agencies. It is clear that various agencies are doing this well, yet differently. What is most important is that there be recognition of the necessity to consider PEOPLE, and all related issues, when making strategic decisions within an agency.

During this discussion the observation was also made that typically "the agency" decides which mission resources will be allocated for "people," and then HR enters the picture in a support role. This scenario does not support the concept of "strategic human resources management" since there is no implied seat at the table for HR during the highest level deliberations about the future of the agency. There ensued some discussion about how to get HR to that table. One important factor is the active support by the highest level administrators in the agency of the value of human resources management. A recent review of GPRA pilots revealed that agencies making the strategic HR connection had leaders who were making the connection. If the leaders did not "get it" then the agency did not get it. This led to some consensus that Federal Administrators at the highest levels must be educated as to the strategic value of human resources and HRM. To do this, HR staffs must be able to show in tangible, if not monetary, terms how it can add value to agency mission planning and achieving results.

Meanwhile, managers and executives in many organizations continue to view "HR" as just a transaction-based, procedurally-bound administrative process and completely miss the obvious fact that "HRM" encompasses the judgments and decisions they make every day in managing the people who do the work of the agency. Line managers must be educated about their responsibilities for management of human resources. At the same time, HR staffs who exist to advise these managers on the HRM decisions, must demonstrate their value to the organization. To this end, meaningful and practical measurement schemes and outcome indicators must be developed for the different types of HR goals relevant to the agency's priorities.

Time did not permit the inclusion of measurement issues in the list of topics for this meeting. However, information on HR measures, especially those relevant to accountability, may be obtained from the Office of Merit Systems Effectiveness, Accountability Team at 202-606-2890.

Conclusion and Next Steps

Some important common themes arose during the discussion. Although these may not reflect all the important issues involved in strategic human resource management, they provide a reasonable portrayal of the current understanding in the Federal community, and provide a focus for avenues that might result in more widespread integration of human resource issues in strategic planning.

Common themes -- Current understanding:

- Human resources management needs to be considered in all aspects of strategic planning, from the very beginning of an Agency's definition of mission.
- In order to get a seat at the "strategic table," the HRM community must educate others by documenting its strategic value -- for example defining and solving work force planning issues -- in a language (e.g., mission accomplishment, customer satisfaction, dollar savings) that all managers can understand.
- There is progress being made in strategic human resources, especially in agencies with very focused, well defined, missions or customers.
- Attention must be paid to both management of human resources and human resource management systems; it is not enough to improve one without the other.
- This is an ongoing process, and real success will depend on a continuing dialog based on a common lexicon and a common desire to achieve results, both in achieving the best in HRM and, more important, maximizing its contribution to achieving the mission.

Where do we go from here? Some next steps are to:

- Establish a common lexicon;
- Develop a clearinghouse for ideas, best practices, lessons learned in strategic human resource management;
- Develop meaningful, practical measures of the contribution of human resource management; and,
- Focus on strategic services such as workforce planning, and on improving the effectiveness and efficiency of HR systems.

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Strategic Human Resources Management
Roundtable Meeting

Name	**Agency**
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Gerard Fearon, Administrative Officer	Health and Human Services
Joyce Felder, Associate Deputy Assistant Secretary for HRM	Veterans Affairs
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