

PRIVATE SECTOR COUNCIL



## **DEVELOP AN EFFECTIVE STRATEGIC HUMAN CAPITAL PLAN**

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A PROCESS OVERVIEW FOR FEDERAL EXECUTIVES

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PARTNERSHIP FOR PUBLIC SERVICE

The Partnership for Public Service is a nonprofit organization that works to revitalize federal government by inspiring a new generation to serve and by transforming the way government works.

The Partnership's *Private Sector Council* (PSC) connects experts from Fortune 500 corporations with federal leaders to confront government's key management challenges on an operational level.

All federal agencies are required to develop strategic human capital plans. While there exists a wealth of detailed guidance to support agencies' efforts in this area, many agencies struggle with developing a plan that not only meets statutory requirements, but serves as a tool to help agency leaders drive mission success.

The Partnership for Public Service has examined the trends in strategic human capital planning among some of the most innovative agencies in the federal government. Based on research and practical experience, we have developed an easy-to-follow approach that any agency can use to refine its planning efforts—ensuring that the resulting plan is aligned with mission and reflective of leaders' vision, organizational strategic goals and objectives, external stakeholder guidance, and current labor market conditions.

This document provides an end-to-end overview for those charged with the creation of an effective, useful strategic human capital plan.

## INTRODUCTION

Strategic human capital planning is the process by which an organization takes stock of how its people and people-management activities align with and support that organization's strategic goals. The resulting plan is a roadmap for assembling and maintaining the right mix of talent to achieve the agency's mission.

A successful strategic human capital plan reflects the outcomes of an agency's systematic, ongoing business-planning. It is mission-focused and lays out workforce strategies aimed at strengthening the agency's capacity to deliver on that mission.

This guide is intended to demystify strategic human capital planning, to help make the process more meaningful and worthwhile for your organization. It simplifies the often confusing and cumbersome planning process by breaking it down into five key action steps:

1. Build a project team
2. Review relevant inputs
3. Engage managers
4. Assess challenges and devise solutions
5. Draft the plan

The most important element of strategic workforce planning is execution. The plan is just a first step toward establishing an ongoing process to diagnose workforce challenges, devise actionable solutions, and build and maintain a team that can enable the organization to achieve its goals.

To assist in execution, this guide includes questions that agencies must continually ask themselves to ensure that the planning process is on track, case studies that provide models for effective planning, and rules of thumb for translating smart plans into action.

# DEVELOP AN EFFECTIVE STRATEGIC HUMAN CAPITAL PLAN

## STEP 1. BUILD A PROJECT TEAM

The development of a strategic human capital plan is a vitally important project for any agency and a significant undertaking. It must be managed and staffed as such.

There are three rules of thumb to keep in mind when assembling the planning team.

### SPONSORSHIP IS CRITICAL

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A human capital plan is a management document, not an HR document. The process of developing it must be collaborative; HR professionals bring critical workforce expertise to bear, and agency leaders provide both sponsorship for the planning process and strategic direction for the plan itself. The project team must therefore include management representatives as well as HR professionals.

### DEDICATE LEADERSHIP AND STAFF TIME

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If developing the strategic human capital plan is just one more thing on the plate of already busy people, it will not get the time or attention required to make it a useful and strategic document. Those charged with responsibility for the plan must be afforded adequate time and resources. Likewise, the leadership team must own the plan and commit the time needed to participate meaningfully in its creation.

### MAKE A PLAN FOR THE PLAN

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Developing an effective strategic human capital plan entails engaging a range of stakeholders, analyzing data and researching the development of original content. With so many moving parts, it is extremely helpful to start by devising a project plan that defines an approach, tasks associated with creating the plan, persons responsible for carrying out those tasks, and timeframes within which to complete them. (Appendix A is a sample project plan.)

This investment of effort into planning for the plan will pay dividends by ensuring a smoother planning process, establishing accountability among team members and fostering a common understanding of how the planning process will operate and on what timetable.

## STEP 2. REVIEW RELEVANT INPUTS

Once you have a planning team in place, the next step is to collect and analyze information about the workforce. There is usually a large volume of data available for review, and so it is understandable that agencies often devote too much time on this phase of the process. The key is to focus on the most relevant data for the purposes of a strategic human capital plan, as described below.

In addition to considering workforce data, take stock of human capital programs, review strategic planning documents, and examine relevant external examples. At a minimum, the project team should gather and review the following:

- **Agency strategic plan(s).** The purpose of this exercise is to ensure that you have in place the people needed to accomplish your agency's strategic goals and the programs needed to support them. Human capital challenges are therefore necessarily tied to overall organizational goals and objectives.

A retirement wave is not, in and of itself, a human capital challenge. A wave of retirements becomes a challenge when it involves individuals whose work has a direct impact on your agency's capacity to achieve its goals.

- **Existing human capital plan(s).** Do not start from scratch if it is not necessary to do so. Review any previous human capital plans or previously identified challenges and use this information as a starting point for data collection and analysis.
- **Retirement, attrition, and hiring projections.** The more specific this data, the better. Ideally, this information should be broken down by program area, occupational group, and, if available, competencies.

Specificity is important for assessing the potential impact of these workforce projections. For example, it tells you very little that ten GS-13 Program Analysts are eligible to retire in the next five years. However, if you know that 10 of 12 individuals from across the agency who possess a mission-critical knowledge or skill are eligible to retire, you have a much clearer picture of the challenge that must be addressed.

- **Human capital programs and progress in recent years.** What human capital programs or initiatives are already underway? How are they working? What would you change?

Again, do not start from scratch. If your agency runs a successful SES candidate development program, build upon your existing successful model. Conversely, if your agency has devoted resources to a human capital program that has not delivered results, the planning process is an opportunity to reevaluate.

- **Staffing and/or recruitment plans.** If your agency already maintains staffing plans, and particularly if creating those plans has been primarily an HR-driven effort, revisit them. Too often, these are plans to replace FTEs—for example, to replace a departing GS-14 Budget Analyst with another GS-14 Budget Analyst—and do not take into account the strategic workforce needs of the organization. A key part of the planning process is to assess whether you really need another Budget Analyst, or if that FTE is needed in another area.
- **External stakeholder issues and concerns.** If your agency has gotten feedback on its human capital management from any oversight agency, this should be carefully considered as you develop your plan. It is also a good idea to consider union and management association members' concerns at the outset. You should also familiarize yourself with government-wide guidance issued by the Office of Personnel Management (OPM) and the Government Accountability Office (GAO) related to strategic human capital planning. (See Additional Resources for specific references.)
- **Employee views.** Find out what employees at your agency had to say about critical areas of human capital management, including performance-based awards, recruiting, and leadership development on the most recent Federal Human Capital Survey. Comprehensive survey results and an index ranking among other federal organizations are available for all departments and many subcomponents and small agencies at [www.bestplacetowork.org](http://www.bestplacetowork.org).
- **Success models.** Research innovative human capital management practices of other public and private sector organizations. Strategic human capital plans developed by agencies who have achieved “green” ratings on the President’s Management Agenda (PMA) scorecard may be particularly instructive. (See Additional Resources for case studies.)

### STEP 3. ENGAGE MANAGERS

The best strategic human capital plans reflect the voice of the organization’s senior management team. To accomplish this, you must engage senior managers at every stage of developing the plan—specifically, a cross-section of senior managers from across the agency who represent the full range of major functions.

The benefit of involving senior managers in the development of the plan is twofold. First, managers are a source of valuable insights regarding both the major mission and workforce challenges confronting the organization, and they are a sounding board for potential interventions. Second, and just as important, a plan that reflects managers’ views will engender their interest and support—which will in turn be essential to carrying out the actions laid out in the plan.

An effective way to gather the management perspective is through structured interviews—that is, a series of meetings with senior managers and their teams at which you ask a consistent set of questions designed to get their perspectives on key issues. (See Figure 1 for a set of sample questions.)

The output from these interviews is the most important data to consider as you craft the strategic human capital plan. Managers are closest to the business of the agency and can therefore speak most knowledgeably to the mission challenges confronting it.

### STEP 4. ASSESS CHALLENGES AND DEVISE SOLUTIONS

The project team, which should include managers as well as HR representatives, should collaborate to identify challenges and develop solutions.

At this point, the project team should have collected a fairly wide range of inputs, including:

- Quantitative data about the workforce
  - » Retirement, attrition, and hiring projections
  - » Staffing plans
  - » Employee feedback (e.g., as captured in the Best Places to Work rankings)
- Qualitative information about strategic goals and priorities, workforce needed to achieve those goals, and potential obstacles to building or maintaining that workforce:
  - » Strategic plan(s)
  - » Existing human capital plans

**FIGURE 1. MANAGER INTERVIEW GUIDE**

**1. Mission**

Briefly describe [your agency]'s mission and its importance to the American people.

- How does your work unit support the overall mission of the agency?

**2. Work Unit Challenges**

What critical mission challenges are likely to affect your work unit in the short-term (i.e., the next one to three years) and long-term (i.e., the next three to five years)?

- Why do you consider these challenges to be the most significant?
- How will these challenges affect your unit's contribution to [your agency]'s mission?

**3. Workforce Challenges**

- What types of employees does your work unit currently need to both achieve its mission and address its critical challenges? Note: Describe the work employees perform that contributes to the mission of the organization.
  - » What other resources does your unit need (e.g., contractors)?
- What should your work unit's workforce look like in the future (e.g., employees with certain skills/competencies, more employees, more contractors)?
  - » What do these people need to do differently than your current workforce to ensure your future mission success?
- What trends are likely to affect your work unit's ability to recruit, hire, develop, motivate, and retain the employees needed (e.g., retirements, attrition, competition for limited skills)? Note: Provide any relevant data that may be available. Otherwise, please describe the data you believe would highlight the challenges described.
- What is the impact to the mission of the organization if these workforce trends are left unaddressed? Note: Please describe the impact in compelling terms that would resonate with a policy maker or an average American.

**4. Solutions**

- Generally describe the ongoing and planned initiatives—in your work unit and agency-wide—to address these challenges.
  - » Who is responsible for these steps?
  - » When are the steps scheduled to be completed?
- What other solutions may be needed?
- Define success for this human capital planning effort. What outcomes or changes would you most like to see?

**5. Resources and Investment**

- What general budgetary resources will be required to implement these solutions?
- Are there any expected cost-savings/benefits of these solutions in the short- and long-terms?

- » Manager feedback collected via interviews
- » Feedback from oversight agencies, if available
- Models of successful strategic human capital plans and management initiatives
  - » Best of the public and private sector
  - » Guidance issued by GAO, OPM, and OMB (See these agencies' joint Human Capital Standards for Success, Appendix B.)

There is no simple formula for marrying these diverse inputs to deliver the desired output. There are, however, five key sets of information that must be gleaned from all of the data gathered:

1. The three to five most critical human capital challenges facing the organization
2. The mission impact if those challenges go unaddressed
3. The actions already underway to address these challenges
4. Actions that the organization can take in the future to address these challenges
5. What will be required in terms of resources, both human and monetary, to carry out those actions

These cross-cutting questions may assist the team in teasing out the critical information:

- What are the most common themes that emerged from the manager interviews?
- How should we interpret the quantitative HR data in light of the information gleaned from the qualitative sources—particularly the manager interviews? What competencies and skills will the agency need to be successful in the future?
- What human capital challenges does the agency face that have a direct, necessary impact on its capacity to achieve its short- and long-term strategic goals?
- How do our challenges line up with Human Capital Assessment and Accountability Framework (HCAAF) elements (Strategic Alignment, Accountability, Leadership and Knowledge Management, Results-Oriented Performance Culture, Talent Management)?
- What have other organizations done to achieve success in the challenge areas we have identified? Are these actions/models feasible for or adaptable

to our agency? What will be required to implement them?

- What will success look like? How will we measure success against the goals that we set out in the plan?

Appendix C, a summary table template for capturing all of this information at a high level, is a useful tool to help you organize the answers to all of these questions.

## STEP 5. DRAFT THE PLAN

Before writing the plan, prepare a comprehensive outline and solicit feedback from agency leaders and managers, as well as external stakeholders as appropriate. Figure 2 is a generic outline that incorporates all of the necessary plan elements in an intuitive sequence.

The final plan should be written in such a way that an individual with no prior knowledge of your organization can comprehend it. It is therefore important to include succinct overviews of your agency's mission, as well as some key background information.

Another critical element of the human capital plan outline is the implementation plan—a timeline for action on the solutions detailed in the plan. This action plan should include specific tactics, discrete tasks associated with each change initiative, timeframes within which activities will be carried out, the person or persons responsible for each item, and metrics for gauging success. (A sample implementation plan is included as Appendix D.)



## FIGURE 2. STRATEGIC HUMAN CAPITAL PLAN OUTLINE

- Letter From the Agency Leader  
(e.g., Secretary, or Assistant Secretary/COO if the plan is for a sub-agency)
- Introduction
  - » Overview of mission
  - » Description of the organization and its background
- Mission Challenges
  - » A discussion of the organization’s strategic objectives and strategic drivers (e.g., OMB directives, strategic plan, customer needs)
- Workforce
  - » Brief profile of workforce (number, contractor presence, key occupations)
  - » Plain-English description of the day-to-day work of agency employees
- Human Capital Challenges
  - » As identified through the analysis—a succinct, high-level description of the critical human capital challenges facing the organization (e.g., leadership bench is too thin)
- Solutions/Improvement Initiatives
  - » For each challenge identified, a high-level explanation of improvement initiatives (both planned and underway), a description of the anticipated results of those efforts and an explanation of how success will be measured (i.e., identify metrics).
- Resources and Investments (Budgetary or Otherwise) Required For Implementation
- Implementation Plan and Timeline
  - » Describes planned action steps in detail (i.e., itemize tasks associated with completing each action)
  - » Identifies the person or party responsible for the completion of each task and metric
  - » Identifies a timeframe within which to complete each action



## ONCE THE PLAN IS WRITTEN...

Now comes the hardest—but most important—part: execution. Here are a few critical success factors to keep in mind as you shift from planning to action.

### IT'S A MANAGEMENT PLAN

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A strategic human capital plan is a valuable tool, a blueprint for effective human capital management. However, the plan is just a document. It will not develop leaders, manage employee performance, or ensure that the right people are in the right jobs at the right time. Managers do these things, with assistance from HR experts. And managers do these things because senior leaders hold them accountable for doing so.

### WHAT GETS MEASURED GETS DONE

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In the plan, success should be defined in measurable terms (e.g., how many, what quality, what timeframe). In executing the plan it is critical that you follow through with tracking the metrics identified. This is the only way you will know whether or not the actions the agency is pursuing are contributing to the outcomes that you seek (i.e., success as you defined it).

By consistently tracking the impact of your efforts, you will be able to identify and pursue needed midcourse corrections to your action plan.

## THE PLAN IS YOUR BUSINESS CASE

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In addition to serving as a plan for action, a strategic human capital plan containing the elements described in this guide provides a business case to pursue further human capital management improvement initiatives, including:

- Integrating human capital into strategic planning, budgeting, and daily operations
- Allocating FTEs more strategically
- Investing in people—training and development for employees and managers, recruitment
- Succession planning and management
- Better aligning employee performance and awards

### THE PLAN IS NEVER COMPLETE

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Strategic human capital planning is an iterative process.

As you implement solutions and make progress toward your human capital goals, circumstances will change. Leaders will change. Some challenges will fade as new ones emerge. While you need not go through the end-to-end process of developing a new human capital plan every single year, you should revisit it regularly, allow for mid-course adjustments and corrections, and produce an updated plan every three years or so.

## ADDITIONAL RESOURCES

### OPM GUIDANCE

Human Capital Assessment and Accountability Framework (HCAAF) Resource Center

[http://www.opm.gov/hcaaf\\_resource\\_center/3-7.asp](http://www.opm.gov/hcaaf_resource_center/3-7.asp)

Key Components of a Strategic Human Capital Plan

[http://www.opm.gov/hcaaf\\_resource\\_center/assets/Sa\\_tool1.pdf](http://www.opm.gov/hcaaf_resource_center/assets/Sa_tool1.pdf)

Human Capital Links

<http://apps.opm.gov/HumanCapital/other.cfm>

### GAO REPORTS

#### STRATEGIC HUMAN CAPITAL PLANNING GUIDANCE

*Human Capital: Agencies Need Leadership and the Supporting Infrastructure to Take Advantage of New Flexibilities.* GAO-05-616T. Washington, DC: April, 21, 2005.

*Human Capital: Preliminary Observations on the Administration's Draft Proposed "Working for America Act."* GAO-06-142T. Washington, D.C.: October 5, 2005.

*Human Capital: Building on the Current Momentum to Transform the Federal Government.* GAO-04-976T. Washington, DC: July 20, 2004.

*Human Capital: Key Principles for Effective Strategic Workforce Planning.* GAO-04-39. Washington, DC: December 11, 2003.

*High-Risk Series: Strategic Human Capital Management.* GAO-03-120. Washington, DC: January 1, 2003.

*A Model of Strategic Human Capital Management.* GAO-02-373SP. Washington, DC: March 15, 2002.

*Human Capital: A Self-Assessment Checklist for Agency Leaders.* GAO/OCG-00-14G. Washington, DC: September 20, 2000.

*Human Capital: Key Principles From Nine Private Sector Organizations.* GGD-00-28. Washington, DC: January 31, 2000.

#### APPROACHES TO ADDRESSING COMMON HUMAN CAPITAL CHALLENGES

*Human Capital: Symposium on Designing and Managing Market-Based and More Performance-Oriented Pay Systems.* GAO-05-832SP. Washington, DC: July 27, 2005.

*Human Capital: Selected Agencies Have Opportunities to Enhance Existing Succession Planning and Management Efforts.* GAO-05-585. Washington, DC: June 30, 2005.

*Human Capital: A Guide for Assessing Strategic Training and Development Efforts in the Federal Government.* GAO-04-546G. Washington, DC: March 1, 2004. DC: January 30, 2004.

*Human Capital: Status of Efforts to Improve Federal Hiring.* GAO-04-796T. Washington, DC: June 07, 2004.

*Human Capital: Increasing Agencies' Use of New Hiring Flexibilities.* GAO-04-959T. Washington, DC: July 13, 2004.

*Human Capital: Selected Agencies' Experiences and Lessons Learned in Designing Training and Development Programs.* GAO-04-291. Washington, DC: January 30, 2004.

*Results-Oriented Cultures: Implementation Steps to Assist Mergers and Organizational Transformation.* GAO-03-669. Washington, DC: July 2, 2003.

*Human Capital: Insights for U.S. Agencies from Other Countries' Succession Planning and Management Initiatives.* GAO-03-914. Washington, DC: September 15, 2003.

### PARTNERSHIP CASE STUDIES

*FHWA: People Drive America*

[http://www.ourpublicservice.org/solutions/solutions\\_show.htm?doc\\_id=197648](http://www.ourpublicservice.org/solutions/solutions_show.htm?doc_id=197648)

*GAO: People Are the Strategy*

[http://www.ourpublicservice.org/usr\\_doc/GAO\\_People\\_Are\\_The\\_Strategy.pdf](http://www.ourpublicservice.org/usr_doc/GAO_People_Are_The_Strategy.pdf)

*NASA: Overcoming Mission Challenges*

[http://www.ourpublicservice.org/usr\\_doc/NASA\\_Overcoming\\_Mission\\_Challenges.pdf](http://www.ourpublicservice.org/usr_doc/NASA_Overcoming_Mission_Challenges.pdf)

*SSA: Preparing for a Retirement Boom*

[http://www.ourpublicservice.org/usr\\_doc/SSAPreparing\\_for\\_a\\_Retirement\\_Boom.pdf](http://www.ourpublicservice.org/usr_doc/SSAPreparing_for_a_Retirement_Boom.pdf)

# APPENDICES

## APPENDIX A: SAMPLE PROJECT PLAN

ACTIVITY (RESPONSIBLE PARTY)	START	FINISH
<b>Project Planning and Kick-off</b>		
<ul style="list-style-type: none"> <li>• Draft initial project plan (person or group responsible)</li> </ul>		
<ul style="list-style-type: none"> <li>• Define key project deliverables and metrics (person or group responsible)</li> </ul>		
<ul style="list-style-type: none"> <li>• Etc.</li> </ul>		
<ul style="list-style-type: none"> <li>•</li> </ul>		
<b>Collect and Review Data</b>		
<ul style="list-style-type: none"> <li>•</li> </ul>		
<ul style="list-style-type: none"> <li>•</li> </ul>		
<ul style="list-style-type: none"> <li>•</li> </ul>		
<ul style="list-style-type: none"> <li>•</li> </ul>		
<b>Engage Managers</b>		
<ul style="list-style-type: none"> <li>•</li> </ul>		
<ul style="list-style-type: none"> <li>•</li> </ul>		
<ul style="list-style-type: none"> <li>•</li> </ul>		
<ul style="list-style-type: none"> <li>•</li> </ul>		
<b>Assess Challenges and Devise Solutions</b>		
<ul style="list-style-type: none"> <li>•</li> </ul>		
<ul style="list-style-type: none"> <li>•</li> </ul>		
<ul style="list-style-type: none"> <li>•</li> </ul>		
<ul style="list-style-type: none"> <li>•</li> </ul>		
<b>Plan Writing and Stakeholder Outreach</b>		
<ul style="list-style-type: none"> <li>•</li> </ul>		
<ul style="list-style-type: none"> <li>•</li> </ul>		
<ul style="list-style-type: none"> <li>•</li> </ul>		
<ul style="list-style-type: none"> <li>•</li> </ul>		
<b>Refine Plan and Implementation Schedule, Define Next Steps</b>		
<ul style="list-style-type: none"> <li>•</li> </ul>		
<ul style="list-style-type: none"> <li>•</li> </ul>		
<ul style="list-style-type: none"> <li>•</li> </ul>		
<ul style="list-style-type: none"> <li>•</li> </ul>		

## APPENDIX B: HUMAN CAPITAL ASSESSMENT AND ACCOUNTABILITY FRAMEWORK

*OPM, OMB, and GAO have jointly outlined the essential building blocks for effectively recruiting, developing, motivating, and retaining the mission critical employees needed to achieve an agency's mission and strategic goals in the Human Capital Assessment and Accountability Framework (HCAAF).<sup>1</sup>*

The human capital framework includes five key systems:

- **Strategic Alignment**  
Agency human capital strategy is aligned with mission, goals, and organizational objectives and integrated into its strategic plans, performance plans, and budgets.
- **Leadership and Knowledge Management**  
Agency leaders and managers effectively manage people, ensure continuity of leadership, and sustain a learning environment that drives continuous improvement in performance.
- **Results-Oriented Performance Culture**  
Agency has a diverse, results-oriented, high performance workforce, and has a performance management system that effectively differentiates between high and low performance, and links individuals/team/unit performance to organizational goals and desired results.
- **Talent Management**  
Agency has closed most mission-critical skills, knowledge, and competency gaps, and has made meaningful progress toward closing all.
- **Accountability**  
Agency human capital decisions are guided by a data-driven, results-oriented planning and accountability system.

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<sup>1</sup> An overview of HCAAF is available on OPM's Web site at: <http://apps.opm.gov/HumanCapital/standards/index.cfm>.

**APPENDIX C: SAMPLE HUMAN CAPITAL PLAN SUMMARY TABLE**

HCAAF ELEMENTS	GOAL SUMMARY	CHALLENGES	IMPROVEMENT INITIATIVES	OUTCOMES / RESULTS
Strategic Alignment				
Accountability				
Leadership and Knowledge Management				
Results Oriented Performance Culture				
Talent Management				

**APPENDIX D: SAMPLE IMPLEMENTATION PLAN**

[INSERT RELATED STRATEGIC GOAL AND/OR HCAAF ELEMENT HERE]				
GOAL	IMPROVEMENT INITIATIVES	SCHEDULE	PROJECT LEAD	METRICS
	•			•
	•			•
	•			•
	•			•

[INSERT RELATED STRATEGIC GOAL AND/OR HCAAF ELEMENT HERE]				
GOAL	IMPROVEMENT INITIATIVES	SCHEDULE	PROJECT LEAD	METRICS
	•			•
	•			•
	•			•
	•			•

[INSERT RELATED STRATEGIC GOAL AND/OR HCAAF ELEMENT HERE]				
GOAL	IMPROVEMENT INITIATIVES	SCHEDULE	PROJECT LEAD	METRICS
	•			•
	•			•
	•			•
	•			•







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