



UNITED STATES GOVERNMENT ACCOUNTABILITY OFFICE

# ***Making Human Capital Transformation a Reality: Lessons Learned from GAO's Experience***

**The Honorable David M. Walker  
Comptroller General of the United States**

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# The Case for Change

**The federal government is on a “burning platform,” and the status quo way of doing business is unacceptable for a variety of reasons, including:**

- Past fiscal trends and significant long-range challenges
- Selected trends and challenges having no boundaries
- Additional resource demands due to Iraq, Afghanistan, incremental homeland security needs, and recent natural disasters in the United States
- Numerous government performance/accountability and high risk challenges
- Outdated federal organizational structures, policies, and practices
- Rising public expectations for demonstrable results and enhanced responsiveness

**Any organization is only as good as the people who compose it**

# GAO's High- Risk List 2007

## Addressing Challenges in Broad-based Transformations

	Year Designated
• <b>Strategic Human Capital Management<sup>a</sup></b>	2001
• Managing Federal Real Property <sup>a</sup>	2003
• Protecting the Federal Government's Information Systems and the Nations' Critical Infrastructures	1997
• Implementing and Transforming the Department of Homeland Security	2003
• Establishing Appropriate and Effective Information-Sharing Mechanisms to Improve Homeland Security	2005
• <b>DOD Approach to Business Transformation<sup>a</sup></b>	2005
• DOD Business Systems Modernization	1995
• DOD Personnel Security Clearance Program	2005
• DOD Support Infrastructure Management	1997
• DOD Financial Management	1995
• DOD Supply Chain Management	1990
• DOD Weapon Systems Acquisition	1990
• FAA Air Traffic Control Modernization	1995
• Financing the Nation's Transportation System <sup>a</sup> (New)	2007
• Ensuring the Effective Protection of Technologies Critical to U.S. National Security Interests <sup>a</sup> (New)	2007
• Transforming Federal Oversight of Food Safety <sup>a</sup> (New)	2007

## Managing Federal Contracting More Effectively

• DOD Contract Management	1992
• DOE Contract Management	1990
• NASA Contract Management	1990
• Management of Interagency Contracting	2005

## Assessing the Efficiency and Effectiveness of Tax Law Administration

• Enforcement of Tax Laws <sup>a</sup>	1990
• IRS Business Systems Modernization	1995

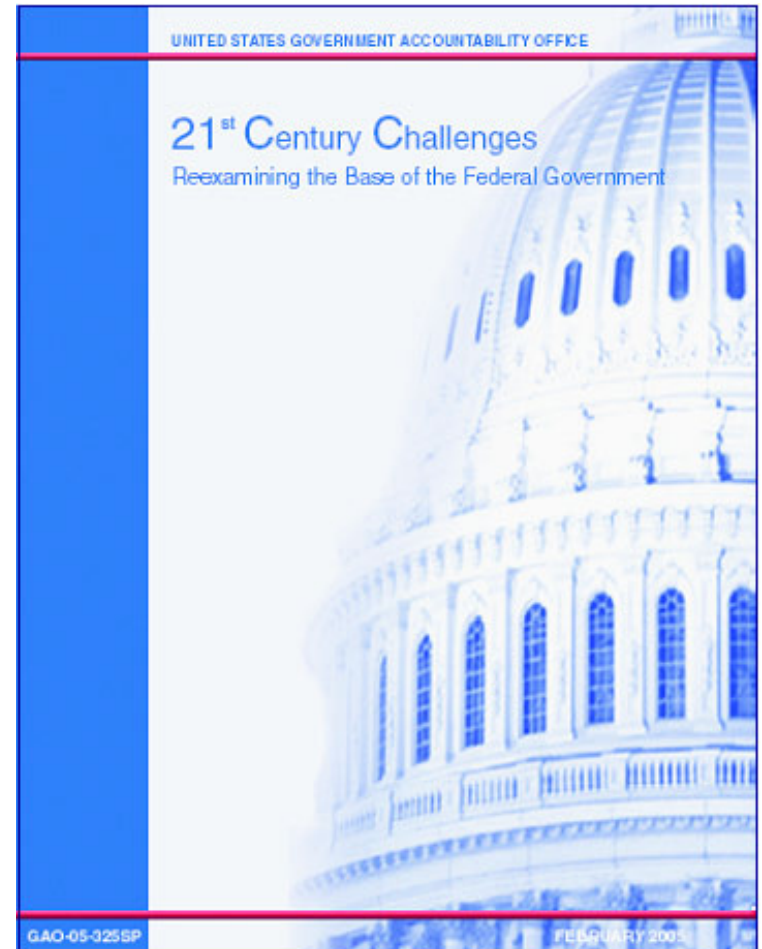
## Modernizing and Safeguarding Insurance and Benefit Programs

• Modernizing Federal Disability Programs <sup>a</sup>	2003
• Pension Benefit Guaranty Corporation Single-Employer Pension Insurance Program	2003
• Medicare Program <sup>a</sup>	1990
• Medicaid Program <sup>a</sup>	2003
• National Flood Insurance Program <sup>a</sup>	2006

<sup>a</sup> Legislation is likely to be necessary, as a supplement to actions by the executive branch, in order to effectively address this high-risk area.

# 21<sup>st</sup> Century Challenges Report

- **Provides background, framework, and questions to assist in reexamining the base**
- **Covers entitlements and other mandatory spending, discretionary spending, and tax policies and programs**
- **Based on GAO's work for the Congress**



Source: GAO.

# Twelve Reexamination Areas

## MISSION AREAS

- Defense
- Education & Employment
- Financial Regulation & Housing
- Health Care
- Homeland Security
- International Affairs
- Natural Resources, Energy & Environment
- Retirement & Disability
- Science & Technology
- Transportation

## CROSSCUTTING AREAS

- Improving Governance
- Reexamining the Tax System

# Illustrative 21<sup>st</sup> Century Questions: *Management & Human Capital Issues*

- What are the **leadership models** that can be used to improve agency management and address transformation challenges? For example, should we create chief operating officer or chief management officer positions with term appointments within selected agencies to elevate, integrate, and institutionalize responsibility and authority for business management and transformation efforts?
- How should the federal government update its **compensation systems** to be more market-based and performance-oriented? For example, should poor performers be guaranteed pay increases? How can these systems ensure pay comparability and provide reasonable annual pay adjustments while also competing for critical occupations or in higher cost locations?
- How can the executive branch and the Congress have a more **strategic, crosscutting focus on policy and budget decisions** to address goals that cut across conventional agency and program boundaries? Can the governmentwide performance plan required by GPRA be implemented to provide the necessary crosscutting focus?



# **Trans** ***FORMATION***

## **Webster's definition**

**An act, process, or instance of  
change in structure appearance,  
or character**

**A conversion, revolution,  
makeover, alteration, or  
renovation**

Transformation is about  
**CREATING** the future rather than  
**PERFECTING** the past.  
Effective **HUMAN CAPITAL**  
strategy is key to any  
**SUCCESSFUL**  
transformation effort



# The Objective of Transformation

**To create a more positive future  
by maximizing value and  
mitigating risk within current  
and expected resource levels**

# Transformation: A New Model for Government Organizations

## Government organizations will need to:

- Become less hierarchical, process-oriented, stovepiped, and inwardly focused.
- Become more partnership-based, results-oriented, integrated, and externally focused.
- Achieve a better balance between results, customer, and employee focus.
- Work better with other governmental organizations, non-governmental organizations, and the private sector, both domestically and internationally, to achieve results.
- Focus on maximizing value, managing risk and enhancing responsiveness within current and expected resource levels.

# Key Transformation Elements

- **Planning**
- **People**
- **Process**
- **Partnerships**
- **Technology**
- **Environment**

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



Source: GAO.

# Keys to Making Change Happen

- A strategic, integrated and outcomes-based plan
- Commitment and sustained leadership
- Demonstrated need for change (i.e., burning platform)
- Start at the top and with the new people (transformation takes 7+ years)
- Process matters (e.g., employee involvement)—Don't fight a two-front war
- 15-percent rule
- Identifiable and measurable progress over time
- Communication, communication, communication
- Figure out what's right versus what's popular
- Patience, persistence, perseverance to pain before you prevail

# Other Keys to Making Change Happen

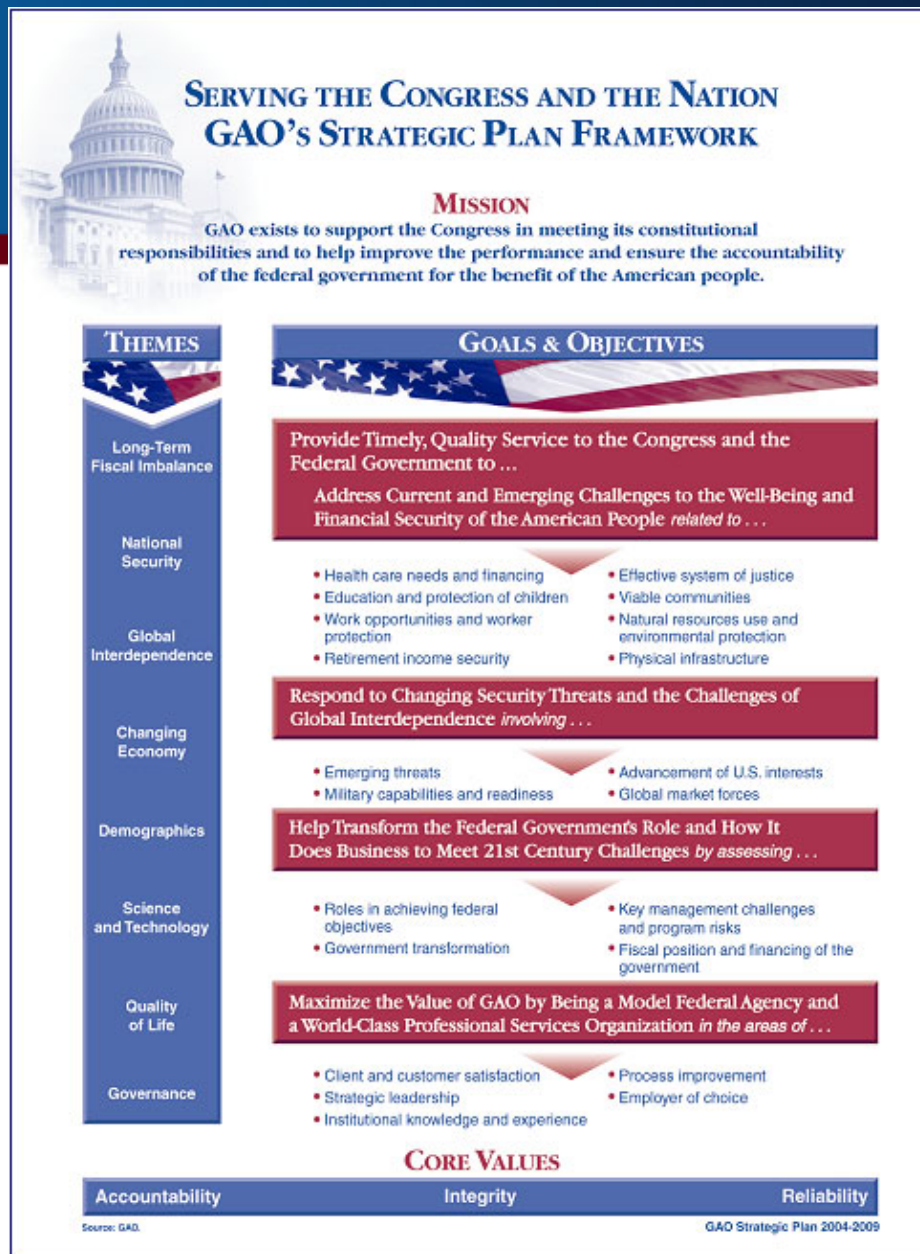
## Several other actions needed:

- Core values
- Organizational alignment
- Recruiting, development, and succession planning strategies
- Modernizing and integrating institutional, unit and individualized performance measurement and reward systems
- Employee empowerment and effective communications

# Specific Transformation Activities for GAO

- Clarified mission and vision
- Defined core values: accountability, integrity & reliability
- Engaged in strategic planning
- Realigned the organization
- Defined success
- Employed multi-tasking and matrix management
- Strengthened procurement, contracting, and acquisition
- Focused on human capital
- Emphasized information technology, knowledge management, and financial management
- Developed client service & external agency protocols
- Enhanced products and services
- Engaged in constructive engagement with agencies
- Partnered with other accountability and “good government” organizations

# GAO's Strategic Plan



Source: GAO.



# Selected Performance Measures

## Key Dimensions

- Results
- Clients/customers
- People
- Partnerships

## Context

- Absolute
- Trend
- Compared to Peers

# Importance of Measurements

- Add transparency
- Focus on results
- Assure Congress, clients, and taxpayers
- Promote continuous improvement
- **What gets measured gets done!**

# GAO's Balanced Scorecard

A horizontal banner with a background of the American flag, showing a white star on a blue field and red and white stripes. The word "RESULTS" is written in white, bold, serif capital letters in the center.

**RESULTS**

A horizontal banner with a background of the American flag, showing a white star on a blue field and red and white stripes. The word "PEOPLE" is written in white, bold, serif capital letters in the center.

**PEOPLE**

A horizontal banner with a background of the American flag, showing a white star on a blue field and red and white stripes. The words "INTERNAL OPERATIONS" are written in white, bold, serif capital letters in the center.

**INTERNAL OPERATIONS**

A horizontal banner with a background of the American flag, showing a white star on a blue field and red and white stripes. The word "CLIENTS" is written in white, bold, serif capital letters in the center.

**CLIENTS**

# Results Measures

<b>Measures</b>	<b>1998</b>	<b>2007</b>
Financial benefits (dollars in billions)	\$19.7	\$45.9
Return on investment	\$58	\$94
Nonfinancial benefits	537	1,354
Recommendations implemented	69%	82%
Number of Personnel	3,245	3,152

# People Measures

<b>Measure</b>	<b>2007</b>
Staff development	76%
Staff utilization	73%
Leadership	79%
Organizational climate	74%
New hire rate	96%
Retention rate (excluding retirements)	94%

# How GAO Has Addressed Its Human Capital Challenges

- Human capital strategic plan
- HQ realignment & field office restructuring
- Self-assessment checklist
- Human capital profile
- Workforce & succession planning
- Employee feedback survey & suggestion program
- Employee Advisory Council
- Enhanced employee communications & participation
- Skills & knowledge inventory
- Employee preference survey
- Frequent flyer miles
- Student loan repayment
- Recruitment & college relations
- Phased retirement initiative
- Training/development
- Recognition & rewards
- Business casual dress & business cards
- Enabling technologies
- Mentor/buddy programs
- Commuting subsidy
- Competency-based employee appraisal system
- Human Capital Officer
- Office of Opportunity & Inclusiveness
- Flexitime and telework
- Total compensation communications
- Broad-banding
- Market-based pay studies
- Band II restructuring


# Legislation Addressing GAO's Human Capital Challenges

- **Broad-banding authority**
- Expedited hiring authority (e.g., internship program)
- **Special pay rates**
- Senior level for technical staff
- Targeted early out and buyout authority (3 years)
- **Revised RIF rules**
- **Targeted early out and buyout authority (permanent)**
- **Annual pay adjustment rates controlled by GAO**
- **Pay retention provisions**
- Relocation benefits
- Increased annual leave for upper level employees
- Executive exchange program
- Re-designation of “General Accounting Office” to “Government Accountability Office”



# GAO Elements of Reform

## Modern, Effective, Credible, and Validated Performance Management System



- Focuses on core competencies
- Helps to communicate employee performance expectations
- Creates a “line of sight” linking institutional team/unit and individual performance
- Makes meaningful distinctions in employee performance
- Provides for competency-based results automatically and relative peer group standing on request

## Modern Classification and Compensation System



- Uses pay bands
- Is market-based
- Is performance-oriented

## Safeguards, transparency, and accountability built in



- Provisions for employee participation
- Pre- and post-implementation consultation and communications strategy incorporated
- Internal pre-decisional revenues and reasonable post-decisional transparency
- Avenues for adverse action appeals, both internally and externally

Source: GAO.

# The Importance of Workforce Planning

## **Planning helps organizations:**

- Accomplish mission efficiently and effectively
- Be more client focused and employee oriented
- Link resources to strategic direction
- Identify and address skill gaps, surpluses, and succession shortages

# GAO's Workforce Planning Process

<b>PREPARE</b>	<ul style="list-style-type: none"><li>• Establish strategic priorities</li><li>• Analyze current staffing data</li><li>• Establish resources planning parameters</li></ul>
<b>FORMULATE</b>	<ul style="list-style-type: none"><li>• Identify workforce needs and address succession planning issues</li><li>• Formulate workforce decisions</li><li>• Develop workforce plans</li></ul>
<b>IMPLEMENT</b>	<ul style="list-style-type: none"><li>• Finalize workforce plans</li><li>• Communicate</li><li>• Implement workforce plans</li><li>• Incorporate workforce results into planning cycle</li></ul>
<b>EVALUATE</b>	<ul style="list-style-type: none"><li>• Monitor workforce results throughout year</li><li>• Conduct post-implementation assessment</li><li>• Continuously improve the process</li></ul>

# GAO's Recruiting Approach

- Recruiting is an important component of our strategic human capital plan
- Recruiting efforts are led by a Senior Executive and involve a number of other senior management and staff
- Our recruiting strategy involves:
  - Outreach at 50 campuses
  - A robust internship program
  - Targeted efforts to hire specialists and other hard-to-fill positions

# GAO's Professional Development Program

## Components of 2-year program include:

- On-the-job and classroom training
- Regular feedback and coaching
- Exposure to different projects
- Individual development plan
- Potential salary increases every 6 months

# GAO's Training and Development Programs

## **Emphasize continuous learning:**

- Instructor-led and Web-based training
- Courses tied to competencies
- Adjunct faculty program trains and develops current employees to teach
- Specialized courses available to accountants

## **Emphasize peer-to-peer mentoring**

- New program helps employees attain professional goals

# GAO's Pay and Performance Management

- Banded positions
- Competency-based appraisal system
- Market based rates
- Performance-based compensation



# GAO's Band II Restructuring Effort: Lessons To Be Shared

- Study the relative roles and responsibilities of the employees affected before determining the number of bands
- Conduct an independent market-based compensation study instead of relying on GS-pay ranges
- Design and implement a modern, effective, and credible performance management system that makes meaningful distinctions in performance

# GAO's Human Capital Achievements

- High intern conversion rate
- 94 percent retention rate
- High ratings on Employee Feedback Survey
- Earned an IPMA 2007 Leading Edge Award
- Ranked #2 in the 2007 *Best Places to Work in the Federal Government* survey
- Named a 2007 “Great Place to Work” by *Washingtonian Magazine*

# The 2007 Union Election at GAO

- On September 19, 2007, a significant majority of bargaining unit employees voted to have the International Federation of Professional and Technical Engineers (IFPTE) serve as their exclusive representative in dealing with GAO management on the terms and conditions of employment
- GAO's bargaining unit consists of approximately 1800 staff (all permanent and probationary Band I, Band IIA, and Band IIB employees, with the exception of specified confidential personnel)
- The union is currently in the process of formulating its governing body

# Factors Contributing to Union Formation at GAO

- GAO has made more significant human capital changes than possibly any other agency within a relatively short period of time
- The Comptroller General probably has more discretionary human capital authority than any other federal agency head

# Steps Toward Constructive Labor Management Relations

- Build effective relationships with the union
- Be responsive to the union's reasonable requests for documents or information when a particularized need is shown
- Inform the union in advance of formal discussions involving management and staff
- Keep the union informed of proposed changes to bargaining unit employees' conditions of employment
- Ensure managers are aware of their responsibilities in a union environment and that they have received training in labor management relations
- Respect the role of the union and ensure that union representatives are treated with dignity at all times
- Develop a set of principles that management will use as part of the bargaining process

# Key Leadership Attributes Needed for These Challenging and Changing Times

- ***Courage***
- ***Integrity***
- ***Creativity***
- ***Partnership***
- ***Stewardship***



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## On the Web

Web site: [www.gao.gov/cghome.htm](http://www.gao.gov/cghome.htm)

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