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GOVERNMENT PRINTING OFFICE

Advancing GPO's Transformation Effort through Strategic Human Capital Management

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GAO-04-85

GOVERNMENT PRINTING OFFICE

Advancing GPO's Transformation Effort through Strategic Human Capital Management

Why GAO Did This Study

The Government Printing Office (GPO) has undertaken the task of transforming itself in response to pressing fiscal and other realities in the 21st century. This report focuses on actions GPO's leaders can take to advance its transformation efforts through strategic human capital management and is a part of GAO's response to a congressional request that GAO conduct a general management review of GPO that focuses on issues related to GPO's management and transformation. GAO plans to address other management topics, including strategic planning and financial management, in a series of reports that may assist GPO in its ongoing transformation efforts.

What GAO Recommends

GAO makes many interrelated recommendations that reflect the important role of human capital in GPO's ongoing transformation. These recommendations provide a framework to reinforce GPO's initial transformation efforts and enhance its future efforts.

We provided a draft of this report in September 2003 to the Public Printer for review and comment. GPO's Chief of Staff, Deputy Chief of Staff, and Chief Human Capital Officer provided comments orally and by e-mail on behalf of GPO generally agreeing with the content, findings, and recommendations in the draft report.

www.gao.gov/cgi-bin/getrpt?GAO-04-85.

To view the full product, including the scope and methodology, click on the link above. For more information, contact J. Christopher Mihm at (202) 512-6806 or mihmj@gao.gov.

What GAO Found

The Public Printer has demonstrated the leadership commitment that is essential to transforming GPO, stating that GPO is going to have to reengineer itself to remain relevant and viable for the future. Under the Public Printer's direction, GPO has taken several steps that recognize the important role strategic human capital management plays in its transformation. For example, GPO created and filled the position of Chief Human Capital Officer (CHCO), shifted the focus of existing training and expanded opportunities for more staff to attend needed training, enhanced recruitment strategies, and initiated a process to develop an agency strategic plan and an accompanying strategic workforce plan.

To sustain its transformation efforts, GPO's leadership needs to ensure that managers throughout the agency appreciate the importance of their role in managing GPO's workforce and helping transform the agency. Furthermore, now that GPO has hired a CHCO, it can begin to restructure its human resources office to better support its transformation by adopting a more strategic view of human capital management and by having human resources officials work collaboratively with GPO managers. To further support its transformation, GPO should use strategic workforce planning to help ensure that its staff has the skills needed to meet emerging needs. A workforce plan that includes both an inventory of current GPO employees' knowledge and skills and an identification of the knowledge and skills GPO needs in the future will best support GPO's transformation. Finally, a modern, effective, and credible performance management system can help GPO facilitate the transformation process and serve as the basis for establishing individuals' roles and accountability in the transformation. Performance management can also help GPO achieve results, accelerate change, and facilitate two-way communication between managers and employees.

GAO makes numerous recommendations to GPO on the steps it should take to strengthen its human capital management in support of its transformation. These recommendations can guide GPO as it seeks to meet the changing and emerging information needs of its customers. The focus of GAO's recommendations is on the following four interrelated areas:

- communicating the role of managers in GPO's transformation,
- strengthening the role of the human resources office,
- developing a strategic workforce plan to ensure GPO has the skills and knowledge it needs for the future, and
- using a strategic performance management system to drive change.

By implementing the recommendations in these four areas, GPO can build the strong human capital foundation needed to reinforce the transformation now under way.

United States General Accounting Office

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October 20, 2003

The Honorable Ben Nighthorse Campbell
Chairman
The Honorable Richard J. Durbin
Ranking Minority Member
Subcommittee on Legislative Branch
Committee on Appropriations
United States Senate

Like other public and private organizations, the Government Printing
Office (GPO) has undertaken the enormous task of transforming itself in
response to the pressing fiscal and other realities of the 21st century. This
transformation process will eventually lead the organization to make some
fundamental program and cultural changes. During his nomination hearing
on October 3, 2002, the Public Printer emphasized GPO's need to transform
itself by stating that ". . . like every other manufacturing business in
America, the GPO is going to have to reengineer itself if it is to remain
relevant and viable for the future." On several occasions, the Public Printer
has reiterated the need for GPO to move from the 19th century to the 21st
century by looking at ". . . the changing and emerging information needs of
our customers and develop a deeper understanding of our true strengths so
that we can plan for and build a new business model that will allow us to
meet the information demands of our customers." To underscore these
statements, the Public Printer has taken actions to transform GPO by
creating a new management structure, launching a major reorganization of
GPO's divisions, and initiating a demonstration project to allow federal
agencies more flexibility in contracting for printing services. The Public
Printer has also taken steps to reduce GPO's persistent financial losses by
closing bookstores[1] and reducing staffing levels. Finally, the Public Printer
has initiated a process to develop an agency strategic plan and an
accompanying strategic workforce plan.

GPO leadership already recognizes that implementing large-scale
organizational transformations are not simple endeavors. As we have
noted, it typically takes at least 5 to 7 years until an organization's change
initiatives are fully implemented, and the related culture is transformed in a

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[1]GPO closed all of its bookstores except for its Washington, D.C. bookstore.

sustainable manner.[2] Further, successful transformations require the concentrated efforts of both leadership and employees to accomplish the organization's new goals.[3] To sustain and focus the transformation effort, organizations need to concentrate on how effectively they use their people, or human capital.

As agreed with your Subcommittee, this report focuses on actions GPO's leadership could take to advance its transformation efforts through strategic human capital management. To examine GPO's transformation efforts, we used our *Model of Strategic Human Capital Management* released in March 2002[4] as the analytical framework for collecting data and reviewing GPO's human capital management. This model is designed to help agency leaders effectively use their 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. We focused our review on the human capital issues that are of most immediate concern and significance to GPO's transformation initiative, such as the recent hiring of a Chief Human Capital Officer (CHCO), the desire to restructure GPO's workforce, and the use of a performance management system. We reviewed GPO documentation describing its personnel practices and transformation initiatives and interviewed numerous GPO managers about GPO's human capital practices. For additional information on our scope and methodology, see appendix I.

This report is part of your request that we conduct a general management review of GPO that examines GPO's human capital, financial management, information management, strategic planning, organizational operations, as well as its use of technology in printing and information dissemination. The Subcommittee requested that our general management review be done in conjunction with another GAO review mandated in the Committee on Appropriation's report of legislative branch appropriations for fiscal year 2003, which will examine the current state of printing and dissemination of

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[2]U.S. General Accounting Office, *Highlights of a GAO Forum: Mergers and Transformation: Lessons Learned for a Department of Homeland Security and Other Federal Agencies*, GAO-03-293SP (Washington, D.C.: Nov. 14, 2002).

[3]U.S. General Accounting Office, *Results-Oriented Cultures: Implementation Steps to Assist Mergers and Organizational Transformations*, GAO-03-669 (Washington, D.C.: July 2, 2003).

[4]U.S. General Accounting Office, *A Model of Strategic Human Capital Management*, GAO-02-373SP (Washington, D.C.: Mar. 15, 2002).

federal government information. We plan to address this topic and others related to GPO's management as part of a series of reports to be issued periodically to assist GPO in its ongoing transformation efforts. For example, in the coming months, we plan to issue a report on legislative and executive branch printing requirements and views of GPO, which will provide GPO with important information it needs to develop its strategic plan. In addition, we plan to continue working with GPO leaders cooperatively, meeting regularly with them about the progress of their transformation initiatives, and at their request, continuing to provide them with information on our human capital efforts and related initiatives.

Results in Brief

The Public Printer clearly recognizes strategic human capital management as critical to the success of GPO's transformation. To strengthen GPO's human capital management, the Public Printer has established and recently filled the position of CHCO, shifted the focus of training, and enhanced recruitment strategies. GPO can build on these important first steps by taking additional actions to further (1) enhance communication with senior managers, (2) build a strategic human resources office to help drive the transformation, (3) develop strategic workforce plans, and (4) implement an individual performance management system that aligns organizational goals with day-to-day operations and creates a line of sight between individual and organizational performance.

- *Communication:* As part of their efforts to transform the organization, GPO's leadership has shown commitment to improving human capital management. To sustain this transformation, GPO's leadership needs to ensure that managers throughout the organization appreciate the importance of their roles in transforming the organization and managing GPO's workforce. To this end, we recommend steps that the Public Printer and GPO's CHCO should take to strengthen communications and hold managers accountable for effectively managing people and leading change.

- *Strategic human capital office:* The appointment of the CHCO was a critical first step. GPO can now support its transformation by adopting a strategic view of human capital management that centers on the contributions GPO's Human Resources Office can make to the long-term accomplishment of GPO's mission. We recommend numerous steps GPO leadership can take to strengthen the role of human capital and ensure that it will be integrated with strategies for accomplishing GPO's mission and program goals. For example, by involving the CHCO and

other human capital leaders in strategic planning, GPO can ensure that its human capital approaches are integrated with its program strategies. The Public Printer and CHCO will need to develop a new human capital organization with a strong collaborative focus and culture. The Human Resources Office should work in partnership with managers in all of GPO's divisions to integrate human capital approaches with GPO's program strategies.

- *Strategic workforce planning:* GPO should use strategic workforce planning to integrate its human capital approaches with its programs and ensure that it recruits and develops staff needed to meet emerging needs. We recommend several steps to assist GPO leadership in preparing for GPO's future. Specifically, to implement effective workforce planning, GPO will need to analyze workforce skills gaps based on the decisions it is making as part of its ongoing efforts to set a strategic direction, develop human capital strategies to fill the gaps, build the capability to support workforce planning, and evaluate and revise its human capital strategies. GPO collects some data on its workforce, including the number of people eligible for retirement and the results of employees' performance reviews. However, GPO needs to develop a system to collect and analyze data on the knowledge and skills of its workforce and develop performance measures for its human capital strategies in order to evaluate them.

- *Performance management:* Effective performance management is one of the nine key practices we identified for effective mergers and transformations.[5] The performance management system can help manage and direct the transformation process and serve as the basis for setting expectations for individuals' roles in the transformation process. GPO is developing a strategic plan and organizational goals that, when completed, can serve as the basis for setting individual performance expectations and ensuring accountability. However, GPO can begin to use the performance management system now to drive its transformation and help achieve critical organizational imperatives, such as improving its financial condition. We recommend several steps through which GPO can develop a performance management system to help achieve results, accelerate change, and facilitate two-way communication between managers and employees so that discussions

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[5]GAO-03-669.

about individual and organizational performance are integrated and ongoing.

We provided a draft of this report in September 2003 to the Public Printer for review and comment. GPO's Chief of Staff, Deputy Chief of Staff, and Chief Human Capital Officer provided comments orally and by e-mail. The GPO officials generally agreed with the content, findings, and recommendations of the draft report. The officials also provided minor technical clarifications, and we made those changes where appropriate.

Background

Under the public printing and documents statutes of Title 44, United States Code, GPO's mission is to fulfill the needs of the federal government for information products and to distribute those products to the public.[6] GPO was created in 1860 as part of the legislative branch primarily to satisfy the printing needs of Congress but eventually became the focal point for printing, binding, and information dissemination services across the federal government. GPO publishes the *Congressional Record* overnight when Congress is in session and produces the *Federal Register*, the *Code of Federal Regulations*, and other key federal government documents, such as the annual *U.S. Budget*. In addition, approximately 130 federal departments and agencies use GPO's in-plant printing facility, electronic information systems, or printing-buying operations to produce a variety of government information products, such as census and tax forms, U.S. passports, and federal regulations and reports. Through its Information Dissemination programs (formerly Superintendent of Documents), GPO disseminates these government information products via a system of 1,200 depository libraries located around the country (the Federal Depository Library Program), its Web site (http://www.gpoaccess.gov), telephone and fax ordering, an online ordering site, and a bookstore.

GPO's role as the principal agent for printing and distributing federal government information currently faces two major challenges. First, in a memorandum dated May 3, 2002, the Office of Management and Budget (OMB) recommended that the Federal Acquisition Regulatory Council eliminate restrictions mandating the use of GPO as the federal government's single source for obtaining printing services and related supplies. After this proposed rule change was issued in the *Federal*

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[6]These are chapters 1, 3, 5, 7, 9, 11, 13, 15, 17, 19, 39, and 41 of Title 44, U.S.C..

Register on November 13, 2002,[7] GPO and OMB entered a compact on June 6, 2003, in which GPO would create a demonstration project designed to provide federal agencies flexibility in choosing their own printing services. According to GPO, the demonstration project would be a print procurement contract, which would function similar to the General Services Administration's (GSA) Federal Supply Schedule[8] and be tested for 1 year, beginning on October 1, 2003, with the Department of Labor serving as the federal agency customer. The demonstration project is expected to result in GPO adopting the role of registering and qualifying printers to participate in the contract as well as offering customer support and in federal agencies being able to select qualified printers, using either lowest price or best value techniques.
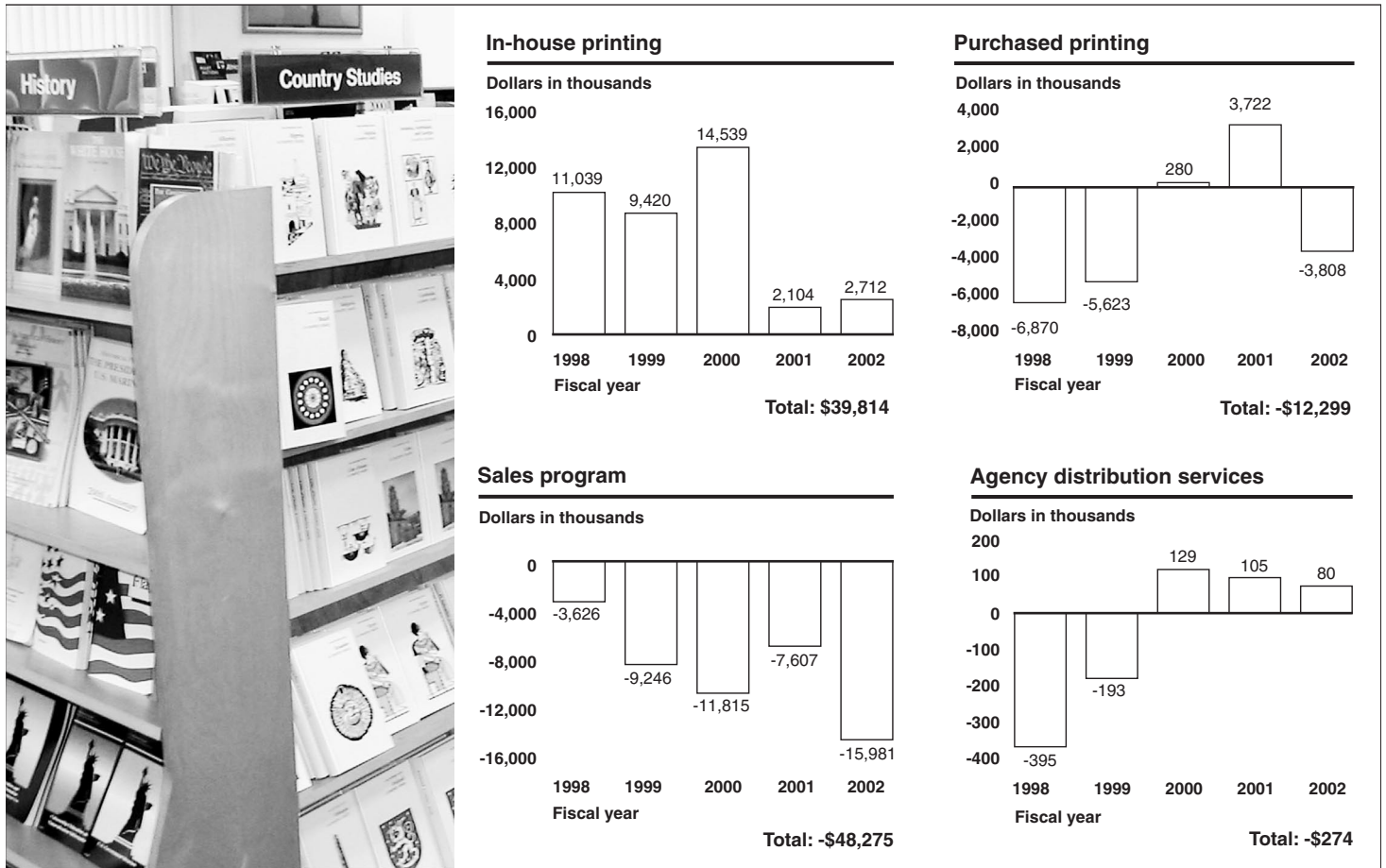
Second, the demand from federal agencies for ink-on-paper printing has declined in recent years because the public has increasingly accessed government information through the Internet and obtained GPO's products through electronic publishing technologies. This trend has affected all of GPO's programs, reducing the production, procurement, and sales of printed products. As a result, over the past 5 fiscal years, GPO has sustained losses in all of its major operations except for its in-house printing. As shown in figure 1, since 1998, in-house printing, which includes the *Federal Register* and *Code of Federal Regulations*, has raised $39,814,000 in income; purchased printing, which includes most of the printing done for federal agencies, lost $12,299,000; the sales program, which includes sales from the recently closed bookstores, as well as online and telephone sales, lost $48,275,000; and agency distribution services, which distributes executive branch publications, lost $274,000.

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[7]67 Fed. Reg. 68,914-68,918 (2002).

[8]Under the Federal Supply Schedule Program, GSA enters into contracts with commercial firms to provide supplies and services at stated prices for given periods. Orders are placed directly with the schedule contractor and deliveries are made directly to the customer.

Figure 1: The Net Operating Income (Loss) for GPO's Major Operations (in Thousands of Dollars)

In-house printing

Dollars in thousands

Fiscal year	1998	1999	2000	2001	2002
	11,039	9,420	14,539	2,104	2,712

Total: $39,814

Purchased printing

Dollars in thousands

Fiscal year	1998	1999	2000	2001	2002
	-6,870	-5,623	280	3,722	-3,808

Total: -$12,299

Sales program

Dollars in thousands

Fiscal year	1998	1999	2000	2001	2002
	-3,626	-9,246	-11,815	-7,607	-15,981

Total: -$48,275

Agency distribution services

Dollars in thousands

Fiscal year	1998	1999	2000	2001	2002
	-395	-193	129	105	80

Total: -$274

Source: GAO.

As shown in figure 2, GPO's losses for its major operations during the 5-year period were $21 million, with the greatest net loss at approximately $17 million from operations in fiscal year 2002.

Figure 2: GPO's Net Operating Income

Dollars in thousands
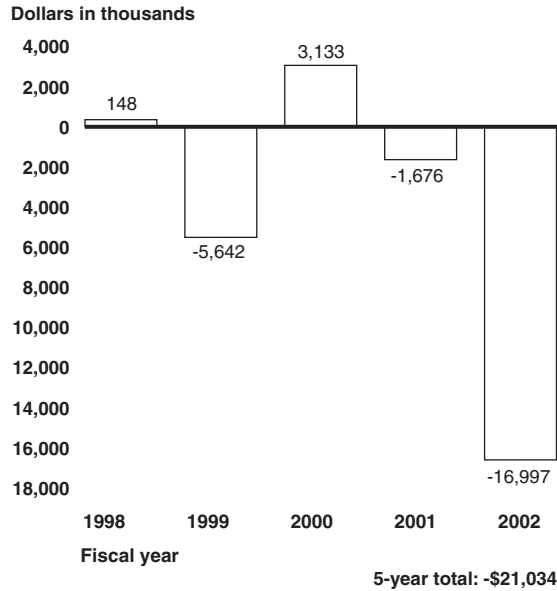
Source: GAO.

Note: Net operating income before eliminations.

The decline in the demand for GPO's ink-on-paper products and the shift toward using its electronically disseminated products has led to a decline in GPO's workforce. Over the past 6 years, GPO's total number of full-time equivalent (FTE) employees has declined by 13 percent, from 3,430 FTEs in 1998 to 2,978 FTEs in 2003. The workforce will experience additional decreases through GPO's retirement separation incentive program, which was announced on April 29, 2003. The program, based on authority provided in the Legislative Branch Appropriations Act, 1999, as amended, seeks to generate payroll savings by reducing GPO's existing staffing levels by approximately 300 employees.[9]

GPO's current workforce represents a diverse set of skills, ranging from electricians to printing machinists to information technology specialists. About 47 percent of GPO's employees are in blue-collar occupations, such as platemakers and electricians, which are represented by 16 different unions. As of August 2003, almost half of GPO's workforce was eligible for

[9]44 U.S.C. 305 note.

retirement, while about 5 percent of the workforce was under the age of 30. As we have reported before,[10] it is important to consider the number and type of employees an agency will lose to retirement because retirees often represent an agency's most experienced and knowledgeable staff.

In January 2003, the Public Printer initiated a process to develop a strategic plan and an accompanying strategic workforce plan. The process includes a year of data gathering to assess GPO's current status; a year to develop and write the plan, which will include input from employees, Congress, customers, and other stakeholders; and 3 to 5 years to fully implement the plan. Currently, GPO is in the data-gathering phase of its strategic planning process.

Communicating the Role of Managers and Following Up on Employees' Stated Concerns Is Vital to GPO's Transformation

Creating an effective, ongoing communication strategy is essential when defining and implementing any transformation effort. More specifically, for GPO it is important to communicate the role that managers should play in managing people and implementing human capital initiatives in the agency's transformation. A comprehensive communication strategy that reaches out to employees, unions, Congress, customers, and stakeholders and seeks to engage them in the transformation process could help GPO's leaders convey an understanding of the purpose of planned changes and build trust, cultivating a strong relationship with management and gaining employee ownership for the transformation. Additionally, communication should facilitate a two-way honest exchange between managers and employees and allow for constructive feedback from employees.

This communication is central to forming the effective partnerships that are crucial to the success of any organization. Because an organization's people are the drivers of any transformation, it is vital to solicit their input and monitor their attitudes. Obtaining employees' attitudes through pulse surveys, focus groups, or confidential hotlines can serve as a quick check of how employees are feeling about the large-scale changes that are occurring and the new organization as a whole. Most important, employees should see that top leadership not only listens to their concerns, but also takes action and makes appropriate adjustments to the transformation effort based on them.

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[10]U.S. General Accounting Office, *Federal Employee Retirements: Expected Increase Over the Next 5 Years Illustrates Need for Workforce Planning*, GAO-01-509 (Washington, D.C.: Apr. 27, 2001).

Status of GPO's Communication and Follow-up Efforts

GPO's leaders have demonstrated that they are committed to a strategic human capital approach and understand that implementing a large-scale management initiative, such as GPO's transformation, requires the concentrated efforts of both leadership and employees. GPO leadership has communicated to employees the need for a transformed GPO through several channels, including holding town hall meetings with question and answer sessions for all employees. In addition, GPO has established an Employee Communications Office to disseminate information to the employees regarding GPO's ongoing changes through a recently created intranet site, newsletters, and mailings to employees' homes. Overall, managers say that communication has improved dramatically since the arrival of GPO's new leadership team.

To indicate his commitment to GPO's human capital, the Public Printer has

- shifted the focus of existing training and expanded opportunities for more staff to attend needed training;

- instituted a new time-off awards program, the first such program instituted at GPO in a decade;

- implemented a new executive development program, demonstrating GPO's investment in its future leaders; and

- initiated an employee climate survey to get GPO employees' views on issues requiring management attention.

Although GPO leadership demonstrated commitment to communication and human capital, we found that GPO's managers did not consistently understand the roles they should play in the transformation. For example, some managers expressed the need to have additional details about the direction of their units within the context of GPO's transformation and were unclear about what training requests they should accept. A key factor in the success of any 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. As GPO's leadership communicates with employees regarding its transformation efforts, it also needs to inform managers about their roles in managing people and in monitoring and refining human capital initiatives. Establishing a performance expectation that holds managers accountable for the effective management of people can help clarify the roles of managers and further demonstrate leadership's commitment to human capital management.

Follow-up action on GPO's employee climate survey, conducted in February 2003, has been slow. Planned focus groups with employees to discuss the findings and develop actions that could be taken to address some of the issues raised by the survey results were delayed until the new CHCO was hired to ensure that the follow-up and the implementation of any recommendations resulting from the survey received the appropriate level of attention. Moreover, while GPO's employee climate survey identified several issues for immediate attention, such as communications, performance management, and training, managers we interviewed, both within the Human Resources Office and in other areas of GPO, said they did not believe that it was their responsibility to address issues identified in the employee survey. To address these issues, all GPO managers should have performance expectations making them responsible and accountable for taking actions to change GPO's work environment. While monitoring employee attitudes provides good information, it is most important that employees see that top leadership not only listens to their concerns but also takes action on them.

Recommended Next Steps

GPO's leaders have communicated a clear message about the need to transform GPO. To build on their progress by strengthening two-way communications and employee involvement, the Public Printer should take the following actions:

- Communicate with managers about their roles in strengthening GPO's human capital management in support of mission needs. GPO leadership should continue to hold town hall meetings and use the Employee Communication Office to reach out to employees and engage them in a two-way exchange so that they understand how they may be able to help with the transformation.

- Ensure that managers are held accountable, through GPO's performance management system and other mechanisms, for effectively managing people and leading change.

In addition, the CHCO should follow up on the completed employee climate survey by holding focus groups that work to develop recommended solutions to issues raised in the survey results, including adjustments to GPO's transformation and human capital approaches.

Developing a Strategic Human Capital Office

Our work and that of others has shown that over the past decade, high-performing organizations have increasingly adopted a strategic view of human capital management in helping to achieve organizational missions and program goals.[11] This new strategic view centers on the contributions that human capital management can make to the long-term accomplishment of the agency's mission. As such, the function traditionally called personnel or human resources needs to be fundamentally transformed, from being a strictly support function involved in managing personnel processes and ensuring compliance with rules and regulations to designing and implementing human capital approaches that are aimed at supporting the agency's strategic goals. Human capital professionals must have the appropriate preparation not just to provide effective support services, but also to consult effectively with line managers in tailoring human capital strategies to the unique needs of the agency.

In April 2003, we reported on key actions that selected agencies had taken to integrate their human capital approaches with their strategies for accomplishing organizational missions and to shift the focus of their Human Resources Office from performing primarily compliance activities to performing consulting activities.[12] These actions can be particularly instructive to GPO as it strengthens the role of human capital in support of its transformation. Table 1 identifies the actions taken and who within each agency initiated them.

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[11]GAO-03-446.

[12] GAO-03-446.

Table 1: Key Agency Actions to Integrate Human Capital Approaches with Strategies for Accomplishing Agency Missions

Action initiators	Description of action
Agency leaders	• *Agency leaders included human capital leaders in key agency decision-making*. For example, United States Coast Guard's (USCG) agency leadership has engaged its human capital organization earlier in the strategic planning and decision-making process by appointing its Assistant Commandant for Human Resources as a member of the agency's senior management team and a full partner in the development of key USCG management decisions. • *Agency leaders also established entities, such as human capital councils, accountable for integrating human capital approaches with strategies for achieving programmatic goals*. The groups' members include both program leaders and human capital leaders. For example, the GSA created a Human Capital Council to ensure, among other objectives, that the agency's human capital strategic plan was integrated within GSA's strategic plan and supported the agency's program strategies.
Human capital leaders	• *Human capital leaders are establishing and communicating clear human capital strategic visions*. For example, GSA's Chief People Officer's vision is for GSA's Chief People Office (CPO) to become a partner in GSA's business success. To do so, she explained that CPO must deliver products and services that enable its customers to focus on their core business. Similarly, Internal Revenue Service's (IRS) former Chief Human Resource Officer's vision is for the human capital professionals in IRS to become more proactive in providing human capital strategies and solutions that directly enhance the agency's performance. • *Human capital leaders are restructuring their human capital organizations to improve their alignment with their vision*. For example, IRS's restructured human capital management function includes, as one of three major components, a national headquarters strategic human resources organization. • *Human capital leaders are using technological advances to provide opportunities to free organizational resources that can be redeployed for strategic purposes*. For example, the United States Geological Survey (USGS) partnered with QuickHire, a commercial off-the-shelf software developer, to develop an on-line automated recruitment system (OARS) that allows USGS's human capital staff to enter job vacancies into a centralized database and develop rating and ranking criteria by selecting and weighting questions from an extensive question library organized by job series. According to USGS, as the agency continues to gain experience and efficiencies using OARS, it hopes to divert an increasing number of human capital staff members to other strategic efforts. • *Human capital leaders are promoting a more strategic role for human capital professionals and are investing in the development of new competencies for human capital professionals to support their increased strategic engagement*. For example, in response to the changing role and functions of its human capital community, GSA has developed new core competencies needed by its human capital staff. Included in these competencies are the new skills GSA's Chief People Officer believes the agency's human capital staff members must develop to become business partners.
Agency leaders and human capitalleaders	• *Jointly, agency leaders and human capital leaders are having human capital professionals and agency line managers share the accountability for successfully integrating strategic human capital approaches into the planning and decision making of the agency*. For example, Federal Emergency Management Agency's (FEMA) human capital leaders and program officials have implemented an innovative employee staffing effort. According to FEMA officials, this greatly enhanced the agency's emergency response capability by providing the human capital staff and the line managers the ability to collaborate in identifying available deployment candidates for assignment as soon as federal disasters are declared.

Source: GAO.

Status of GPO's Efforts to Create a Strategic Human Capital Function

GPO's new leaders recognize that its Human Resources Office has been characterized by the following weaknesses:

- *Lacking a strategic focus.* Managers in both the Human Resources Office and GPO's program divisions acknowledged the need to improve collaboration in support of agency goals and the transformation and indicated that efforts should be more proactive. One official in the Human Resources Office indicated the need for the new CHCO to dramatically improve communication with GPO program managers so that the Human Resources Office can better understand and anticipate their needs.

- *Viewing human capital as costs to be cut rather than as assets needed to achieve results.* Managers told us that the Human Resources Office had been used to reduce and control salary costs by restricting promotions, denying managers requests to increase the grade levels of positions so that they would reflect increased responsibilities, and downgrading vacant positions. Managers said that these actions contributed to good employees leaving GPO for positions in other federal agencies where they had more opportunities for advancement.

- *Focusing more on processing transactions rather than strategically managing human capital to help achieve results.* Program managers viewed the Human Resources Office's assistance in such efforts as filling recruitment needs and providing requested employee data as positive but very limited and falling far short of their expectations for assistance.

- *Being an obstacle to rather than supporting manager's needs.* For example, we were told that the Human Resources Office has not provided adequate assistance or guidance to managers in writing position descriptions needed to fill critical vacancies or get positions reclassified. A few managers told us that, as a result, they found the hiring process took longer than necessary and caused significant frustration and rework, taking attention away from other higher priorities.
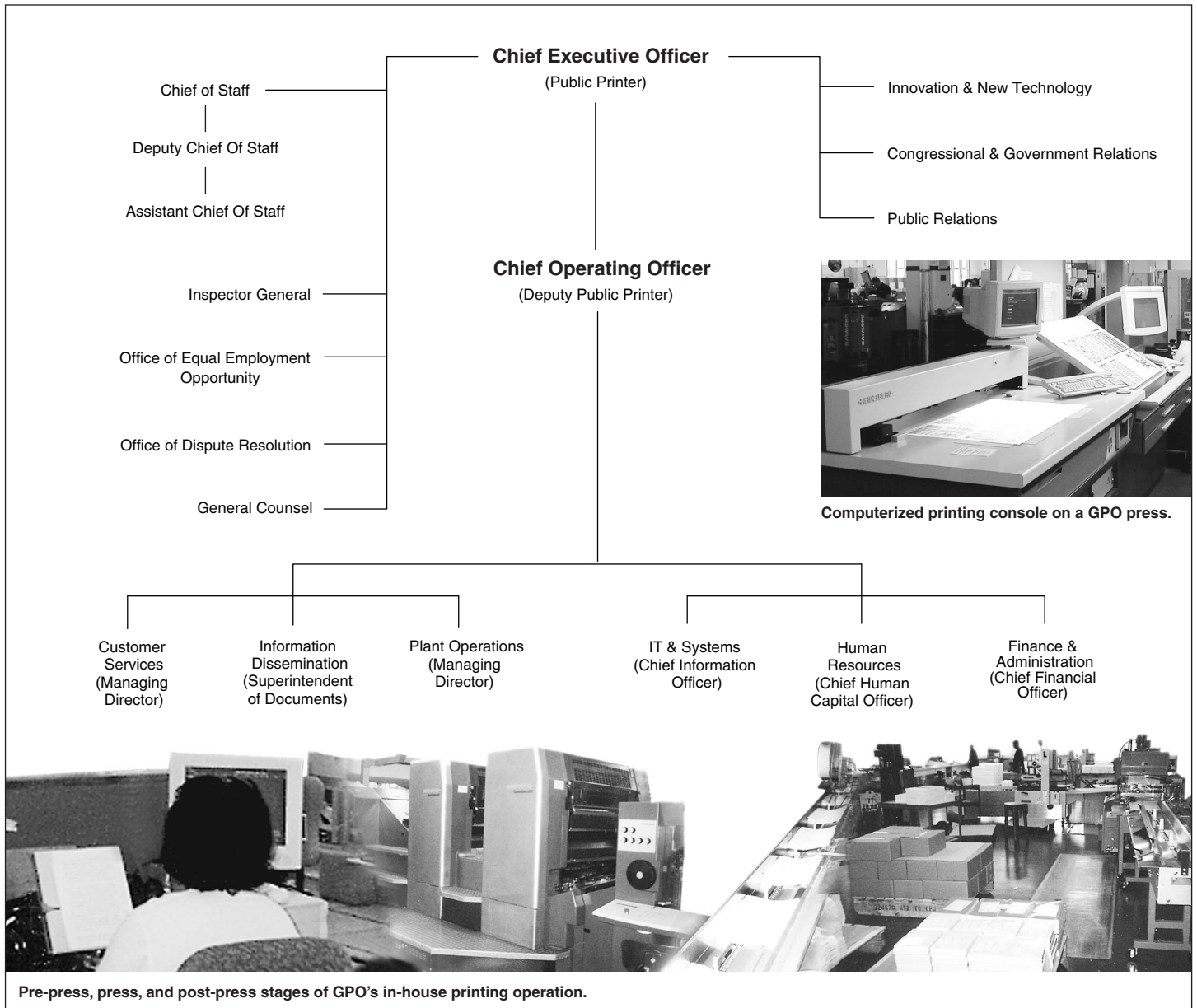
GPO's Human Resources Office faces substantial challenges resulting from the many changes accompanying GPO's transformation. For example, the Information Dissemination Division, formerly the Superintendent of Documents Division, is undergoing a major reorganization to better position it to address GPO's increasing emphasis on electronic information

dissemination. This divisional reorganization has created four major sections within the division, which will require the Human Resources Office to perform additional work reclassifying positions, developing position descriptions, and recruiting people for new positions. GPO managers expressed concerns about the Human Resources Office's ability to respond to the increased demands for support due to other divisional reorganizations and transformation-related initiatives on the horizon. In addition, some managers questioned whether the Human Resources Office had sufficient staff with the competencies needed to effectively serve as advisors to and partners with senior leaders and managers.

As an important first step in changing the role of the Human Resources Office at GPO, the Public Printer created a new organizational structure that establishes the position of CHCO, equivalent to the heads of the other administrative and operating divisions. (See fig. 3.) This structure is consistent with executive branch agencies, many of which have now established CHCO positions. The creation of the Human Resources Office establishes accountability for the cross-functional area of human capital management within GPO and may help GPO use resources driven by the Public Printer's strategic vision more efficiently.

Figure 3: GPO's New Organizational Structure

Chief Executive Officer
(Public Printer)

Chief of Staff

Deputy Chief Of Staff

Assistant Chief Of Staff

Innovation & New Technology

Congressional & Government Relations

Public Relations

Inspector General

Office of Equal Employment Opportunity

Office of Dispute Resolution

General Counsel

Chief Operating Officer
(Deputy Public Printer)

Computerized printing console on a GPO press.

Customer Services
(Managing Director)

Information Dissemination
(Superintendent of Documents)

Plant Operations
(Managing Director)

IT & Systems
(Chief Information Officer)

Human Resources
(Chief Human Capital Officer)

Finance & Administration
(Chief Financial Officer)

Pre-press, press, and post-press stages of GPO's in-house printing operation.

Source: GAO.

GPO's new CHCO has the opportunity to transform GPO's Human Resources Office into one that integrates GPO's human capital approaches with strategies for achieving programmatic results. The new CHCO realizes that this transformation is critical to the success of GPO's strategic human capital efforts and told us that his vision for the Human Resources Office includes human capital professionals working strategically with GPO's line managers to integrate the human capital function throughout the agency.

As the CHCO begins his efforts, he can build on the Human Resources Office's ongoing efforts to streamline operations and employ technology to meet customer needs and free organizational resources that can be redeployed for strategic purposes. GPO's Human Resources Office is streamlining and moving its payroll functions from within GPO to the National Finance Center, which handles payroll functions for many federal agencies. The Human Resources Office has also developed an automated system that alerts managers when employees under their supervision are due in-grade promotions and is working to convert employee performance ratings into an online/automated format. GPO managers have viewed these efforts positively and have indicated that there may be other opportunities to further automate and streamline human capital processes.

Recommended Next Steps

GPO's hiring of a CHCO, concurrent with its efforts to begin developing an overall agency strategic plan and a complementary strategic workforce plan, creates the opportunity for GPO leadership and human capital leaders to work together to strengthen the role of human capital and ensure that it will be integrated with strategies for accomplishing GPO's mission and program goals. To effectively support GPO's overall transformation efforts, the CHCO will need to develop a new human capital organization with a strong collaborative focus and culture. This may involve a number of steps, such as establishing a strategic vision for the Human Resources Office and ensuring that human capital professionals have the competencies needed to collaborate with GPO's managers. The final result should be a Human Resources Office that helps integrate human capital approaches with GPO's program strategies throughout the organization by working in partnership with managers of all divisions.

To enhance the role of strategic human capital in support of GPO's transformation efforts, the Public Printer should take the following actions:

- Include human capital leaders in agency strategic planning and decision making. Involving these leaders as full partners would acknowledge

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both the commitment of the Public Printer to strategically managing GPO's people and create the expectation that human capital professionals will contribute to organizational success.

- Establish an entity, such as a human capital council, that is accountable for integrating human capital approaches with strategies for achieving programmatic goals. The group's members should include both program managers and human capital professionals. As GPO develops and implements its strategic plan and human capital plan, the group can help ensure that the plans are integrated.

- Communicate clearly that the CHCO should create a Human Resources Office that is not solely focused on routine processing and compliance issues but is also focused on strategic human capital planning and management.

To further the integration of human capital with GPO's strategies for transformation and mission accomplishment, the CHCO should take the following actions:

- Establish a human capital strategic vision, and a mission for the Human Resources Office, and define goals and expectations for human capital professionals as well as the Human Resources Office that can be used to hold human capital professionals accountable.

- Strengthen communication between human capital officials and program managers to enhance the understanding of how they can work together to achieve organizational goals. As a key part of strengthening communication, the CHCO should routinely solicit the feedback of GPO managers to identify how the Human Resources Office can best meet managers' needs and help them uphold federal merit principles.

- Consider how to organize the Human Resources Office to align it with the strategic vision and best achieve integration of GPO's human capital approaches and mission strategies. One potential approach used successfully in other federal agencies is to integrate human capital professionals throughout the agency's operational divisions. Each of these human capital professionals reports to a particular operating division leader and is tasked with implementing and customizing human capital policies, procedures, and strategies to fit the division's unique needs.

- Ensure that human capital professionals have the skills needed to implement the Human Resources Office's mission, thereby helping to achieve the goals of the Human Resources Office and the agency as a whole. This will include providing necessary training for current human capital professionals and hiring new human capital professionals with the appropriate skills to help implement the Human Resources Office's mission.

- Further explore how technological advances can provide opportunities to better serve managers and free organizational resources that can be redeployed for strategic purposes.

Together, the Public Printer and the CHCO should clearly define and communicate to the human capital professionals, as well as throughout GPO, that the role of the Human Resources Office is to partner with the other units within GPO to achieve the agency's mission. The town hall meetings initiated by the Public Printer are one forum in which this type of communication can happen. It should be made clear that agency and human capital leaders, human capital professionals, and line managers share responsibility for advancing agency programmatic and human capital goals.

Strategic Workforce Planning Can Assist GPO's Transformation

A key factor in successfully transforming GPO and sustaining high performance is the effective integration and alignment of GPO's human capital approaches with its strategies for achieving mission and programmatic goals and results. GPO should use strategic workforce planning to integrate and align its human capital approaches with its mission strategies. Strategic workforce planning focuses on developing long-term strategies for acquiring, developing, and retaining an organization's workforce to meet future needs. It is an essential element of GPO's management infrastructure, which is needed to ensure that its human capital program addresses workforce issues in a manner that is clearly linked to achieving the agency's mission and goals.

The goal of strategic workforce planning is to ensure that the right people with the right skills are in the right place at the right time. Agency approaches to workforce planning can vary with their particular needs and missions. Nevertheless, looking across existing successful public and private organizations, certain critical elements recur as part of a successful workforce plan and workforce planning process. Although fluid, this process starts with an organization setting a strategic direction that

includes program goals and strategies to achieve those goals. The process consists of five critical elements that frame successful workforce planning efforts. Figure 4 uses a simple model to show these critical elements and their relationships to the agency's overall strategic direction and goals.

Figure 4: Critical Elements to Include in the Workforce Planning Process
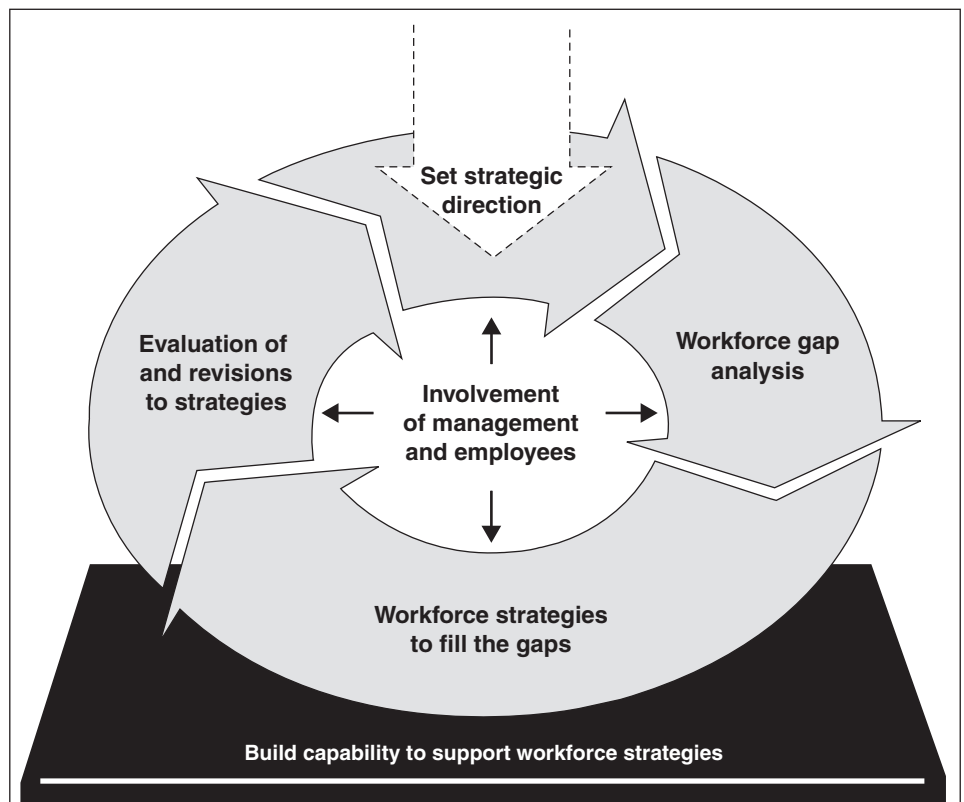
Source: GAO.

These five elements may be helpful to GPO in developing its plan:

• involve top management, employees, and other stakeholders in developing, communicating, implementing, and evaluating the strategic workforce plan;

• determine workforce gaps by identifying the critical skills and competencies that will be needed to achieve the future programmatic

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results, inventorying the skills and competencies of the existing workforce, and analyzing the gaps;

- develop strategies to address gaps in number, deployment, and the alignment of human capital approaches that enable and sustain the contributions of all critical skills and competencies;

- build the capability needed to address administrative, educational, and other requirements important to support workforce strategies; and

- monitor and evaluate the agency's progress toward its human capital goals and the contribution that human capital results have made toward achieving programmatic goals.

Additionally, 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. Having complete and reliable data is particularly important to doing a workforce gap analysis. Early development of the data provides a baseline by which an agency can identify current workforce problems, and regular updating of the data enables agencies to plan for improvements, manage changes in the programs and workforce, and track the effects of changes on achieving program goals. As shown in figure 5, agencies can collect and analyze a variety of information to support their workforce planning efforts.

- Actual and projected attrition rates (including retirements) showing how many people have left the agency in the past and the estimated number who will leave in the future.

- Exit surveys or interviews with departing employees to better understand the reasons that people leave.

- Knowledge, skills, and experiences of the current workforce.

- Size and shape of the workforce including information such as, the distribution of employees by pay level and ratio of managers to employees.

- Dispersal of performance appraisal ratings, such as the mean, mode, and standard deviation of scores.

- Number of performance awards and their distribution among divisions and offices.

- Total human capital cost in dollars and as a percentage of total operating budget.

- Average period required to fill vacancies, and trends over time.

- Acceptance rates among job candidates to whom positions are offered.

- Costs of promotion, grade increase, and within-grade increases.

Source: GAO.

Status of GPO's Workforce Planning Efforts

GPO leaders have shown that they understand the benefits of involving managers and employees in developing human capital initiatives and have the opportunity to continue this practice to support GPO's workforce planning efforts. GPO has included both managers and employees in newly created task forces that are examining the training needed for the new Information Dissemination Division, exploring the creation of a gainsharing program, and making decisions to implement the time off awards program. GPO managers and labor leaders told us that they view participation in these efforts favorably and want more specific information about the role that they could play in GPO's transformation. GPO leadership can build on its experiences in using management and employee task forces and on the interest and support shown by these managers and employees by involving them in workforce planning. Involving GPO

employees in strategic workforce planning can build support and foster a clear understanding of how managers and employees can contribute to the overall transformation of GPO by doing their part to help develop and implement human capital approaches.

GPO leaders acknowledge the importance of strategic workforce planning, including workforce gap analysis, to help GPO transform itself. They understand that they need to identify, in greater detail, the new skills and competencies that GPO will need and develop an inventory of the skills and competencies of its existing workforce to analyze workforce gaps. GPO leadership has told us that, currently, it is difficult for leaders to identify all of the specific skills and competencies GPO will need because they are still working to better define GPO's future mission and strategies as part of its recently initiated strategic planning effort. Although uncertainty about GPO's future may complicate the identification of future workforce needs, GPO may find it useful to begin producing an inventory of its employees' skills and competencies and work with its senior managers to identify some obvious gaps and establish a more systematic process for analyzing workforce gaps as it develops its strategic plan.

More specifically, although GPO leadership has not systematically determined the specific skills it will need to effectively carry out its shifting role, it has indicated that GPO's emphasis will increasingly shift from printed information dissemination to more electronic dissemination, and in some areas GPO has begun to identify some potential skills gaps. For example, the Superintendent of Documents said that the skills needed to complete GPO's document cataloging function are changing rapidly as the number of electronic documents increases. Cataloging now requires Internet searching skills and greater sophistication to locate documents that are available on agency Web sites. While GPO currently lacks a fact-based systematic approach to define the critical skills and competencies required to meet its strategic program goals, it can use available information about skills gaps as a starting point for its workforce planning activities.

To help meet its skills gaps, GPO has begun by strengthening its ability to recruit and develop staff. GPO formed a strategic partnership with leading universities in the areas of printing and graphic communications and initiated a recruiting drive to attract graduates in other disciplines, such as business administration and electrical, mechanical, and chemical engineering. Also, GPO hired experts who possess skills and competencies for addressing immediate needs, such as developing new sales and

marketing strategies, to serve in temporary positions. To develop its existing workforce, GPO has shifted the focus of existing training and expanded opportunities for more staff to attend needed training.

Recent actions by GPO's leaders demonstrate an understanding of the need to consider workforce skills and knowledge when making business decisions and implementing human capital approaches. For example, GPO made the business decision that it needed to decrease its staff by about 300 people to reduce its costs. To achieve this reduction, GPO initiated a retirement separation incentive program, which included an approach to ensure that GPO retained employees with critical knowledge and skills. This approach involved GPO's executive committee screening employees to separate early retirement applicants into two groups, priority 1 and priority 2. Priority 1 applicants held positions that would not be filled because the positions were no longer necessary. Priority 2 applicants held positions that would be filled by other GPO employees, who would leave positions that would not be filled. Thus, GPO took a step toward stemming its operating losses while ensuring the retention of needed knowledge and skills.

Workforce planning includes building the capability to support workforce strategies by addressing administrative, educational, and other requirements. For example, it is important for GPO to educate managers on the use of available human capital flexibilities, such as the time-off awards program recently introduced at GPO. Educating managers and employees on the availability and use of such flexibilities is one way for GPO to integrate human capital approaches throughout the organization. Managers and supervisors can be more effective in using time off awards and other authorities if they are properly trained on when they can be used and how to ensure consistency, fairness, and transparency for their use.

GPO collects some data on its workforce, including the number of people eligible for retirement and the results of employees' performance reviews. However, GPO lacks information necessary to evaluate the effectiveness of its workforce strategies. Attention to the development and collection of workforce data could help ensure that GPO's human capital approaches are supporting its strategies for achieving results and transforming the organization.

GPO's managers can use human capital data like those shown in figure 5 to help them identify human capital challenges, develop strategies to address them, and create measures to assess the strategies' success. For example,

exit interviews can help GPO develop effective workforce strategies to address the reasons why top performing staff leave. Although overall attrition may not be a problem for GPO given its current downsizing efforts, it is important for GPO to retain top performers who have the skills it needs in the future. Some managers told us that high-performing staff have left GPO for comparable positions at other federal agencies because GPO's promotion possibilities were limited, often resulting from difficulties in reclassifying these positions. However, GPO has not conducted interviews with its departing employees to confirm their reasons for leaving. Without comprehensive data on why people leave GPO, it cannot determine what types of actions it should take, if any, to retain top performers.

Recommended Next Steps

To ensure that human capital strategies are integrated throughout the agency, GPO should develop a strategic workforce plan that can guide its transformation and support mission accomplishment. The Public Printer and the CHCO should take the following actions:

- Involve staff in all phases of workforce planning to help improve the quality of the plan and build support needed to successfully implement it. Specifically, GPO should (1) ensure that top management sets the overall direction and goals of workforce planning, (2) involve employees and other stakeholders in developing, implementing, and evaluating future workforce strategies, and (3) establish a communication strategy to create shared expectations, promote transparency, and report progress.

- Complete a workforce gap analysis to identify critical skills and competency gaps that could affect GPO's ability to achieve its mission and transform the organization. The workforce gap analysis should include (1) an analysis of the current workforce to develop an inventory of employees' skills and competencies and (2) a systematic identification of the new skills and competencies that GPO will need in the future so that it can pinpoint any gaps that could affect its mission accomplishment and transformation.

- Develop strategies to address any identified workforce gaps and move from the current to the future workforce needed to achieve GPO's mission and transformation. These strategies, consistent with recent efforts at GPO, should include the programs, policies, and practices that will enable an agency to recruit, develop, and retain critical staff.

- Build the capability to support workforce strategies by addressing administrative, educational, and other requirements. To this end, managers and employees need training to understand how to use available human capital authorities and flexibilities effectively so that they are implemented equitably and their strategic purpose is fulfilled.

- Evaluate the results of current human capital strategies and make any needed revisions to ensure that the strategies work as intended and support the transformation. This will provide a baseline by which to evaluate these strategies to ensure alignment with its mission and transformation efforts.

- Develop performance measures for GPO's human capital strategies. Such measures are a first step in holding managers accountable for their management of human capital and provide valuable data for future workforce planning efforts. GPO could benchmark its human capital data against the data of high-performing organizations.

- Periodically survey managers and employees regarding human capital strategies to ensure that they are being implemented fairly, observing federal merit principles, and being used appropriately.

Performance Management Can Help GPO Drive Internal Change and Achieve External Results

In July 2003, we reported that an organization's performance management system can be a vital tool for aligning the organization with desired results and creating a "line of sight" showing how team, unit, and individual performance can contribute to overall organizational results. The performance management system can help manage and direct the transformation process. The system serves as the basis for setting expectations for individuals' roles in the transformation process.[13] Effective performance management systems are not merely used for once- or twice-yearly individual expectation setting and rating processes, but are tools to help the organization manage day to day. These systems are used to achieve results, accelerate change, and facilitate two-way communication throughout the year so that discussions about individual and organizational performance are integrated and ongoing.

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[13] GAO-03-669.

In March 2003, we reported on key practices for federal agencies to consider when developing modern, effective, and credible performance management systems.[14] While it is important that organizations develop performance management systems that reflect their specific structures, priorities, and cultures, these systems also reinforce individual accountability for results, and therefore, can strengthen overall agency performance. Figure 6 lists nine key practices for effective performance management that GPO may find instructive as it develops a more robust performance management system.

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[14] U.S. General Accounting Office, *Results-Oriented Cultures: Creating a Clear Linkage between Individual Performance and Organizational Success,* GAO-03-488 (Washington, D.C.: Mar. 14, 2003).

Figure 6: Key Practices for Effective Performance Management

1. **Align individual performance expectations with organizational goals.** An explicit alignment of daily activities with broader results helps individuals see the connection between their daily activities and organizational goals and encourages individuals to focus on their roles and responsibilities to help achieve those goals.

2. **Connect performance expectations to crosscutting goals.** High-performing organizations use their performance management systems to strengthen accountability for results, specifically by placing greater emphasis on fostering the necessary collaboration, interaction, and teamwork across organizational boundaries to achieve these results.

3. **Provide and routinely use performance information to track organizational priorities.** High-performing organizations provide objective performance information to individuals to show progress in achieving organizational results and other priorities and help them manage during the year, to identify performance gaps, and to pinpoint improvement opportunities.

4. **Require follow-up actions to address organizational priorities.** High-performing organizations require individuals to take follow-up actions based on performance information available to them. By requiring and tracking such follow-up actions on performance gaps, these organizations underscore the importance of holding individuals accountable for making progress on their priorities.

5. **Use competencies to provide a fuller assessment of performance.** High-performing organizations use competencies, which define the skills and supporting behaviors that individuals need to effectively contribute to organizational results, and are based on valid, reliable, and transparent performance management systems.

6. **Link pay to individual and organizational performance.** High-performing organizations seek to create pay, incentive, and reward systems that link employee knowledge, skills, and contributions to organizational results.

7. **Make meaningful distinctions in performance.** Effective performance management systems seek to achieve three key objectives to help make meaningful distinctions in performance. First, they strive to provide candid and constructive feedback to help individuals maximize their contribution and potential in understanding and realizing the goals and objectives of the organization. Second, they seek to provide management with the objective and fact-based information it needs to reward top performers. Third, they provide the necessary information and documentation to deal with poor performers.

8. **Involve employees and stakeholders to gain ownership of performance management systems.** High-performing organizations have found that actively involving employees and stakeholders in developing the performance management systems and providing ongoing training on the systems helps increase their understanding and ownership of the organizational goals and objectives.

9. **Maintain continuity during transitions.** High-performing organizations recognize that because cultural transformations take time, they need to reinforce accountability for organizational goals.

Source: GAO.

Analysis of GPO's Performance Management Efforts

GPO has begun to make progress on two of the key practices for effective performance management. GPO has taken a first step toward aligning individual performance expectations with organizational goals by beginning to develop an agency strategic plan and complementary workforce plan. GPO is also beginning to explore the use of competencies to provide a fuller assessment of performance. The other seven key practices present opportunities for GPO to strengthen its performance management system. For example, GPO presently does not make meaningful distinctions in performance or link pay to individual and organizational performance. As GPO explores actions to strengthen its performance management, it has the opportunity to involve employees and stakeholders so that they gain ownership of the performance management system.

An explicit alignment of daily activities with broader results is one of the defining features of effective performance management systems in high-performing organizations. These organizations use their performance management systems to improve performance by helping individuals see the connection between their daily activities and organizational goals and encouraging individuals to focus on their roles and responsibilities to help achieve these goals. Such organizations continuously review and revise their performance management systems to support their strategic and performance goals, as well as their core values and transformational objectives.

Currently, GPO requires that supervisors set annual performance expectations for all staff that are linked to employees' position descriptions rather than unit goals. Once GPO's strategic plan and organizational goals are established, GPO can use them as the basis for setting individual performance expectations and ensuring related accountability. However, GPO can begin to use the performance management system now to drive its transformation and hold individuals accountable for helping to achieve critical organizational priorities, such as improving GPO's financial condition and customer service. For example, we were told that employees in GPO's Information Dissemination Division lack basic sales techniques, like matching customer needs with available products. GPO could create a performance expectation for its sales staff related to their knowledge of GPO products. The performance expectation could help GPO improve its financial condition and customer service as staff become more familiar with the types of products GPO offers and matching these products to customers' needs.

Further, GPO could help staff achieve organizational goals by requiring that managers take follow-up actions to address performance gaps. For example, GPO could routinely collect and analyze information from its customers to determine their views on the quality and timeliness of the products and services GPO provides as well as their current and future needs. Through the performance management system, managers in GPO's in-house printing operation could be required to use this information to follow up on recurring issues and plan for its customers' future needs.

High-performing organizations use competencies to examine how the performance of individual employees contributes to the organization's results. Competencies, which define the skills and supporting behaviors that individuals are expected to exhibit to carry out their work effectively, can provide a fuller picture of an individual's performance. Because GPO is developing its agency strategic plan and related workforce plan, identifying core competencies for employees will necessarily lag. However, some GPO managers have started to identify critical competencies for employees in their units. For example, one manager in the Human Resources Office plans to revise the performance expectations for her staff to include a focus on customer service in order to improve the collaboration between her staff and managers throughout GPO. More generally, GPO is identifying competencies for senior managers to be included in their performance contracts.

Effective performance management requires the organization's leadership to make meaningful distinctions between acceptable and outstanding performance of individuals and to appropriately reward those who perform at the highest level. In doing so, performance management systems in high-performing organizations typically seek to achieve three key objectives: (1) they strive to provide candid and constructive feedback to help individuals maximize their contribution and potential in understanding and realizing the goals and objectives of the organization, (2) they seek to provide management with the objective and fact-based information it needs to reward top performers, and (3) they provide the necessary information and documentation to deal with poor performers.

GPO's performance management system does not make meaningful distinctions among employees' performance in the performance appraisal process. Managers told us that attention given to preparing individual performance ratings had decreased over the past decade due to the lack of performance awards. In addition, they said that since the ratings were not used as the basis for employee recognition, there was little incentive for

mangers to make distinctions among their employees' performance when rating their staff. As a result, managers said that they rated large numbers of their staff as outstanding to boost morale and to avoid employee complaints. Figure 7 shows that over 94 percent of the employees who were rated in 2001 received an overall rating of outstanding or excellent.

Figure 7: 2001 Performance Ratings for Current GPO Employees
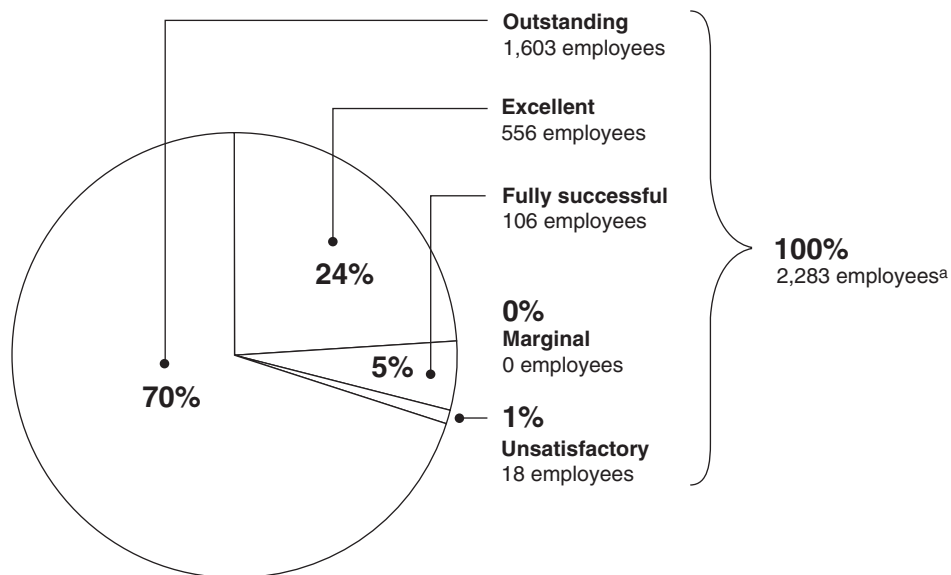
Source: GPO.

Note: Data are 2001 ratings of on-board employees as of August 7, 2003. Data for 2002 are not yet available.

[a]This number is less than GPO's current number of staff, or 2,928, because it does not include employees hired since 2001 and those not rated because they were not covered by performance standards for a minimum of 90 days.

The lack of identified distinctions among employee's performance compromises GPO's ability to select among employees for development and advancement opportunities. In the absence of objective and fact-based performance information, managers rely on their personal knowledge of employee performance and employees' reputations. Having objective and fact-based information and related documentation on which to justify personnel decisions is fundamental to ensuring that managers can effectively fulfill their responsibilities to uphold federal merit system principles. Further, without this information, managers lack the basic tools to motivate and reward staff for their performance.

Seniority rather than performance is the basis for most pay decisions by GPO managers, and financial awards are not used to reward GPO's top performers. However, GPO's leadership recognizes the need to strengthen incentives for individual and organizational performance and has taken some actions to stimulate higher performance. On February 10, 2003, GPO instituted a time-off awards program to recognize outstanding effort by rewarding productivity, dedication, creativity, and superior accomplishment. Before the time-off awards program was introduced, GPO had been without any mechanism to recognize and reward outstanding performance since 1992 when funding for its incentive awards and recognition system was removed due to financial constraints and equity concerns. While the time-off awards program represents an improvement in GPO's rewarding of employees for good performance, several managers told us that GPO needs to do more to reward performance through financial mechanisms. Consistent with this view, GPO leadership recently formed a task force to determine the feasibility of developing a gainsharing program modeled after the program at the Bureau of Engraving and Printing, which rewards employees for meeting organizational goals. Under the program, all employees share in the gains from proven savings according to predetermined standards and payout formulas.

High-performing organizations have found that actively involving employees and stakeholders, such as unions or other employee associations, when developing results-oriented performance management systems helps improve employees' confidence and belief in the fairness of the system and increases their understanding and ownership of organizational goals and objectives. Effective performance management systems depend on individuals', their supervisors', and management's common understanding, support, and use of these systems to reinforce the connection between performance management and organizational results. These organizations recognize that they must conduct frequent training for staff members at all levels of the organization to maximize the effectiveness of the performance management systems.[15] Overall, employees and supervisors share the responsibility for individual performance management. Both are actively involved in identifying how they can contribute to organizational results and are held accountable for their contributions.

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[15]U.S. General Accounting Office, *Human Capital: Practices That Empowered and Involved Employees*, GAO-01-1070 (Washington, D.C.: Sept. 14, 2001).

GPO leadership has demonstrated that it understands the importance of working with employees at all levels of the organization to implement human capital changes. As GPO moves forward to make additional needed changes to its performance management system, it is vital that leaders work to further strengthen the involvement of employees and stakeholders such as GPO's unions and employee associations. GPO cannot successfully improve its performance management system without the support and commitment of its many unions, which have substantial influence over GPO's human capital policies because of their right to bargain for wages. Given that union leaders and GPO's leadership agree that GPO's performance management system is ineffective, common ground exists from which GPO, GPO's employees, and the employees' elected representatives can begin a dialogue about how best to change the system. The constructive relationship that currently exists between GPO's union leaders and GPO management can facilitate this dialogue.

Recommended Next Steps

Public sector organizations both in the United States and abroad have used their performance management systems to create a clear linkage—"line of sight"—between individual performance and organizational success and, thus, transform their cultures to be more results-oriented, customer-focused, and collaborative. GPO can obtain similar benefits by adopting the practices of leading organizations' performance management systems. Specifically, the Public Printer, in conjunction with the CHCO should take the following actions:

- Align the individual performance expectations with organizational goals, which helps individuals identify the connection between their daily activities and organizational goals.

- Connect performance expectations to crosscutting organizational goals, which would foster the necessary collaboration, interaction, and teamwork across organizational boundaries to achieve these results.

- Provide and routinely use performance information to track organizational priorities, which would help GPO identify performance gaps and pinpoint improvement opportunities.

- Require individuals to take follow-up actions on identified performance gaps to address organizational priorities, which underscores the importance of holding individuals accountable for making progress on their priorities.

- Use competencies, which define the skills and supporting behaviors that individuals are expected to exhibit, to provide a fuller assessment of performance.

- Link employee pay and awards to individual and organizational performance, which establishes incentives for high performance.

- Make meaningful distinctions in performance, which provides a basis for constructive feedback, rewarding top performers, and dealing with poor performers.

- Involve employees and stakeholders in the development of the performance management system which helps increase their ownership of the organizational goals and objectives.

- Maintain continuity during leadership transitions by focusing on a broad set of programmatic priorities.

Concluding Observations

Realizing the importance of effective human capital management, the new Public Printer has taken several important steps to establish the foundation needed to successfully transform GPO. However, there are additional opportunities for GPO to strengthen human capital management to support its progress into the 21st century.

We found that, although GPO's leadership recognizes the importance of human capital management in GPO's transformation, it must ensure that managers appreciate the importance of their roles in order to make the entire workforce accountable for results. To achieve this transformation, GPO will need to strengthen the role of human capital management and ensure that it will be integrated with strategies for accomplishing GPO's mission and program goals. In addition, to ensure that GPO's workforce has the correct mix of skills and competencies for the future, GPO leadership will need to establish a strategic workforce planning process. Finally, to make GPO's units and workforce accountable for results, GPO will need to strengthen its current performance management systems. GPO's future success will depend largely on how well it is able to build and strengthen its capacity to effectively manage human capital in support of results.

Agency Comments

We provided a draft of this report in September 2003 to the Public Printer for his review and comment. GPO's Chief of Staff, Deputy Chief of Staff, and Chief Human Capital Officer provided comments orally and by e-mail on behalf of GPO generally agreeing with the content, findings, and recommendations of the draft report. They also provided minor technical clarifications, and we made those changes where appropriate.

The officials stated that GPO is committed to implementing the recommendations that we made to strengthen its human capital management and that the recommendations were fully consistent with the direction in which GPO is already moving. The officials stated that they look forward to continuing to work cooperatively with us throughout GPO's transformation effort and that our ongoing work on legislative and executive branch printing requirements will be an important input into GPO's ongoing strategic planning efforts.

Unless you announce its contents earlier, we plan no further distribution of this report until 7 days after its issuance date. At that time, we will send copies to the Public Printer, GPO, as well as the Joint Committee on Printing, and the House Appropriations Legislative Subcommittee, Senate Committee on Rules and Administration, and House Committee on Administration. We will also make copies available to others upon request. In addition, the report will be available at no charge on GAO's Web site at http://www.gao.gov.

If you have any questions about this report, please contact me or Steven Lozano on (202) 512-6806 or on mihmj@gao.gov and lozanos@gao.gov. Major contributors to this report were William Reinsberg, Benjamin Crawford, Masha Pastuhov-Pastein, and Carole Cimitile.

J. Christopher Mihm
Director, Strategic Issues

Objective, Scope, and Methodology

The objective of our review was to describe the Government Printing Office's (GPO) actions and plans for strategically managing its workforce and recommend next steps for GPO as it transforms. To identify strategic human capital practices and recommend next steps, we reviewed our models, guides, reports, and other products on strategic planning and performance measurement, strategic human capital management, transformation efforts, and other related areas. We used our *Model of Strategic Human Capital Management* to guide our initial analysis. From that analysis, we identified a set of human capital issues that could benefit GPO if addressed in the short term. These issues include the role of GPO's Human Resources Office and the Chief Human Capital Officer (CHCO), the desire to restructure GPO's workforce as part of its transformation, and the use of performance management systems. In order to address these immediate issues, we narrowed our review to focus on five of the eight critical success factors in our model:

- leadership's commitment to human capital management,

- the role of the human capital function,

- integration and alignment,

- data-driven human capital decisions, and

- unit and organizational performance linked to organizational goals.

To assess GPO's actions and plans related to these critical success factors, we reviewed statements by the Public Printer; individual performance standards, position descriptions, and vacancy announcements; GPO policies and procedures; results from GPO's employee climate survey taken in March 2003; studies of GPO human capital issues conducted by the Office of Personnel Management and Booz-Allen and Hamilton; organizational charts; information from GPO's intranet; and other relevant documentation.

To obtain additional information and perspectives on GPO's human capital issues, we interviewed key senior GPO officials, including the Deputy Public Printer; Chief of Staff; Deputy Chief of Staff; Superintendent of Documents; Managing Director of Plant Operations; Managing Director of

Customer Services; the CHCO; former Personnel Director;[1] Acting Personnel Director; Director, Office of Employee and Labor Relations; General Counsel; and Comptroller. We also interviewed GPO officials at the next level of management responsible for human capital, information dissemination, and customer service and union leaders. In addition, we visited GPO headquarters in Washington, D.C., and a distribution center in Laurel, Maryland, to talk with frontline managers about their responsibilities and the responsibilities of their employees.

We developed the recommended next steps by referring to our models, guides, reports, and other products on strategic human capital management and identifying additional practices that were associated with and would further complement or support current GPO efforts. We performed our work from March through September 2003 in accordance with generally accepted government auditing standards.

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[1] GPO's Personnel Director retired on July 3, 2003.