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June 18, 2004

The Honorable Jo Ann Davis
Chairwoman
Subcommittee on Civil Service and Agency
Organization
Committee on Government Reform
House of Representatives

Subject: *Posthearing Questions Related to Agencies' Implementation of the
Chief Human Capital Officers (CHCO) Act*

Dear Madam Chairwoman:

On May 18, 2004, I testified before your Subcommittee at a hearing entitled "First Year on the Job: Chief Human Capital Officers."¹ This letter responds to your request that I provide answers to follow-up questions from the hearing. Your questions, along with my responses, follow.

1. You indicated the importance of a strategic plan to provide a sense of direction for the Council and that a draft plan has been prepared. Do you anticipate a timely completion of the plan?

We have not identified any barriers or obstacles that would prevent the Council from completing its strategic plan, which is in draft, in a timely manner, although the Council has not established a target date for completion. The strategic plan is an organization's starting point and foundation for defining what the organization seeks to accomplish, identifying the strategies it will use to achieve desired results, and then determining how well it succeeds in reaching results-oriented goals and achieving objectives. Developing a strategic plan can help the Council clarify organizational priorities and unify the Council's members in the pursuit of shared goals.

2. Aside from winning the war on talent as alluded to in your testimony, what, in your view, are other pressing human capital issues facing the federal government today and how should the CHCO Council address those issues?

The nation's large and growing long-term fiscal imbalance and a range of other 21st century challenges are driving a fundamental transformation of the federal

¹ U.S. General Accounting Office, *Human Capital: Observations on Agencies' Implementation of the Chief Human Capital Officers Act*, GAO-04-800T (Washington, D.C.: May 18, 2004).

government. This transformation requires a comprehensive reexamination of what the government does, how it does business, and in some cases, who does its business. Ultimately, to successfully transform, the federal government must change its culture to become more results-oriented, customer-focused, and collaborative. Specifically, agencies continue to face pervasive human capital challenges in four key areas:

- **Leadership:** Top leadership in agencies must provide the committed and inspired attention needed to address human capital and related organization transformation issues.
- **Strategic human capital planning:** Agencies' human capital planning efforts need to be more fully and demonstrably integrated with mission and critical program goals.
- **Acquiring, developing, and retaining talent:** Additional efforts are needed to improve recruiting, hiring, professional development, and retention strategies to ensure that agencies have the needed talent.
- **Results-oriented organizational cultures:** Agencies continue to lack organizational cultures that promote high performance and accountability and empower and include employees in setting and accomplishing programmatic goals.

The Council can play an important leadership role in developing policies that are sensitive to implementation concerns and gain consensus and consistent follow-through within the executive branch. In addition to working to streamline hiring and recruitment, we believe that the Council has the opportunity to address several immediate and significant needs of the government's human capital community. These needs include the following:

- Modernizing agency performance management systems and creating a clear linkage between individual performance and organizational success.
- Developing the capabilities required for successful implementation of human capital reform.
- Implementing strategic human capital planning to ensure that an agency's human capital program optimizes its workforce's strengths.
- Transforming the human capital office and its processes to more fully contribute to key agency decisions.

3. Where do you think the CHCO Council should most focus their oversight attention?

The Council can play a key role in helping agencies implement human capital policies and facilitating the oversight responsibilities of OPM. For example, we recently testified that agencies appear to be making limited use of new hiring flexibilities.² According to OPM, the agencies have not as fully embraced the new tools and

² U.S. General Accounting Office, *Human Capital: Status of Efforts to Improve Hiring*, GAO-04-796T (Chicago, Ill.: June 7, 2004).

flexibilities as OPM had hoped.³ In our prior work, we recommended that OPM work with and through the CHCO Council to more thoroughly research, compile, and analyze information on the effective and innovative use of human capital flexibilities. We noted that sharing information about when, where, and how the broad range of personnel flexibilities is being used, and should be used, could help agencies meet their human capital management challenges. OPM and agencies need to continue to work together to improve the hiring process, and the CHCO Council should be a key vehicle for this needed collaboration. To accomplish this effort, agencies need to provide OPM with timely and comprehensive information about their experiences in using various approaches and flexibilities to improve their hiring processes. OPM—working through the CHCO Council—can, in turn, help by serving as a facilitator in the collection and exchange of information about agencies’ effective practices and successful approaches to improved hiring. Such additional collaboration between OPM and the agencies could go a long way in helping the government as a whole and individual agencies to improve the processes for quickly hiring highly qualified candidates to fill important federal jobs.

4. In your research, are CHCOs becoming integrated into the leadership teams of the agencies in which they now exist? If not, is this the direction in which they are moving?

The successful integration of CHCOs into the leadership teams of the agencies is best evidenced and evaluated by how well they help the agency achieve strategic results and pursue its mission. Because the CHCOs have only been in place a little over a year, it is too early to assess results. However, agency CHCOs told us that the CHCO Act has lent support to their efforts by establishing a single point within the agencies with the perspective, responsibility, and authority to ensure the successful implementation of strategic human capital initiatives. They indicated that their designation as Chief Human Capital Officer has strengthened agencies’ human capital direction by providing strategic human capital management attention at the highest level of the agencies and the opportunity to advance issues directly to the head of the agency.

In addition, the CHCOs identified different strategies the agencies employed to integrate the CHCO position into their leadership teams, underscoring that there is no single best model for all agencies and all circumstances. The significant differences included:

- **Significant additional management responsibilities or focused scope of responsibility for human capital:** As we testified, half of the CHCOs have major responsibilities in addition to human capital management. These responsibilities include financial management, information management, administrative services, facilities management, and procurement. According to CHCOs who occupy positions that oversee significant management functions in addition to human capital, they already have a “seat at the table,” and have a voice in the strategic activities of their agency. However, a number of CHCOs who are responsible only for human capital matters also reported

³ U.S. Office of Personnel Management, Statement of the Honorable Dan G. Blair, Deputy Director, Office of Personnel Management (Chicago, Ill.: June 7, 2004).

that they fully participate in the strategic decision making of their agency. While the CHCO Act provides for agencies integrating the position into the leadership team as best fits their needs, we have previously reported that agency leaders are including human capital leaders in key agency strategic planning and decision making and, as a result, the agencies are engaging the human capital organization as a strategic partner in achieving desired outcomes relating to the agency's mission.⁴

- **Reporting directly to the agency head or reporting to another senior leadership position:** Underscoring the CHCOs statements that they are functioning as an integral part of the agency's senior leadership team, more than half (15 of 24) of the CHCOs report directly to the agency head. OPM's guidance to agencies urged agency leaders to ensure that if the CHCO did not report directly to the agency head, the CHCO should serve as an integral part of the agencies' leadership team, participating fully in its deliberations and decisions and sharing accountability with the other members of that team for the agency's bottom line performance and mission results. Such a role clearly provides the opportunity to integrate the human capital initiatives with the other key processes and decisionmaking in the agency.
- **Career executive or political appointee:** The CHCOs were evenly split between career executives and political appointees. Since the inaugural CHCO appointments, two agencies have changed their CHCO designation from the incumbent career executive to a higher-level political appointee, although this is not sufficient to draw conclusions as to the general direction of appointments.

Although the so-called "seat-at-the-table" is significant, CHCOs are ultimately valued not by place, but by the value they add to the agencies' strategic human capital approaches in attaining organizational goals. We have found that CHCOs are positioned in roles where they have the opportunity to more directly affect agency decisions and achievement of goals.

5. As you stated in your report, many CHCOs are currently holding multiple positions, in addition to their CHCO title. Is this a good thing for the future of the position and the agencies?

We believe as time passes and agency CHCOs become more established in their roles and responsibilities, it will become exceedingly difficult for CHCOs to devote the necessary time and attention to the CHCO role if CHCOs are "dual-headed" with other key functions. As we testified, half of the CHCOs have significant management responsibilities in multiple areas. A number of these CHCOs told us that they believe such multiple responsibilities work well for them in their agency. For example, some CHCOs with key responsibilities in multiple areas told us they believe this enables them to achieve quicker decisionmaking on strategic human capital issues. On the other hand, other CHCOs said they prefer devoting all their attention to human capital issues.

⁴ U.S. General Accounting Office, *Human Capital: Selected Agency Actions to Integrate Human Capital Approaches to Attain Mission Results*, GAO-03-446 (Washington, D.C.: Apr. 11, 2003).

6. To follow up on the last question, what other positions are compatible with the CHCO such that one could hold that title along with another position?

Early in the federal experience of establishing the CFO and CIO positions, we testified that the challenges facing most agencies in financial and information management required full-time leadership by separate individuals with appropriate talent, skills, and experience in these two areas. For smaller agencies, an executive wearing several management hats may be appropriate. There is not necessarily any one model that is either the most appropriate for or that will guarantee success at every federal department and agency. The mission, size, and culture unique to each federal agency make it unwise to prescribe any single approach. This concern will be best considered in light of the progress CHCOs demonstrate in moving forward on their human capital strategies and plans.

More generally, we have suggested that Congress consider establishing Chief Operating Officer (COO) or equivalent positions in selected agencies as one element of an overall strategy to address certain systemic federal governance and management challenges. These COOs would be part of a broader effort to elevate attention to management and transformation issues, integrate various key management and transformation efforts, and institutionalize accountability for addressing management issues leading a transformation.⁵ By their very nature, the problems and challenges facing agencies are crosscutting and thus require coordinated and integrated solutions. However, the risk is that management responsibilities (including, but not limited to information technology, financial management, and human capital) will be “stovepiped” and thus will not be implemented in a comprehensive, ongoing, and integrated manner. While officials with management responsibilities often have successfully worked together, there needs to be a single point within agencies with the perspective and responsibilities—as well as the authority—to ensure successful implementation of functional management initiatives and, if appropriate, transformation efforts.

7. Do you anticipate the CHCO Council playing a key role in making government-wide recommendations for improving personnel policy?

We anticipate the CHCO Council will play a key role in leading the federal government’s human capital reform efforts. Our experience with the CFO Act shows the importance of having a central advisory group to help promote the implementation of financial management reform. The CFO has played a lead role in creating goals for improving federal financial management practices, providing sound advice to OMB on revisions to executive branch guidance and policy, and building a professional community of governmentwide financial management expertise. The CHCO Council can play a similarly useful role.

⁵For additional information on the COO concept and how it might apply to federal agencies, see U.S. General Accounting Office, *Highlights of a GAO Roundtable: The Chief Operating Officer Concept: A Potential Strategy to Address Federal Governance Challenges*, GAO-03-192SP (Washington D.C.: October 2002).

Our past work has found that approaches to interagency collaboration, such as the CHCO council, have emerged as an important central leadership strategy in both developing policies that are sensitive to implementation concerns and gaining consensus and consistent follow through within the executive branch. In effect, agency collaboration can serve to institutionalize many management policies initiated by either Congress or OMB. We believe it is reasonable that the success that OMB has achieved with other interagency councils in fostering communication across the executive branch, building commitment to reform efforts, tapping the talents that exist within agencies, keeping management issues in the forefront, and initiating improvement projects can be expected of the CHCO Council under the leadership of OPM.

8. Are there any notable successes or glaring weaknesses that the CHCO Council should address as it enters into its second year of activity?

As we testified, the Council has successfully set an agenda by creating five subcommittees to address and recommend change for five key areas identified by the Council's leadership as critical to the success of the strategic management of the human capital initiative outlined in the President's Management Agenda. Several of the issues coincide with the four key areas: leadership; strategic human capital planning; acquiring, developing, and retaining talent; and results-oriented organizational cultures, which we identified in our high-risk series on strategic human capital management.⁶

Identifying priority human capital issues, organizing the leadership and talent to analyze them, proposing actions to be taken, and frequently meeting to share information and perspectives are good first steps. We understand that the full Council will meet over the coming months to consider the recommendations of the subcommittees and advance an agenda of needed improvements to better address the issues.

The urgency of addressing the key human capital challenges the government faces will require the CHCO Council to become very active in providing input to OPM on the results of its activities and OPM to effectively use the Council to enhance the ability of agencies to strategically manage their human capital to accomplish transformational change.

⁶ U.S. General Accounting Office, *High-Risk Series: Strategic Human Capital Management*, GAO-03-120 (Washington, D.C.: January 2003).

For additional information on our work on governmentwide human capital issues, please contact me on 512-6806 or at mihmj@gao.gov.

Sincerely yours,

A handwritten signature in black ink that reads "J. Christopher Mihm". The signature is written in a cursive style with a large, stylized initial "J".

J. Christopher Mihm
Managing Director, Strategic Issues

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