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**DEPARTMENT OF COMMERCE
OFFICE OF HUMAN RESOURCES MANAGEMENT**

**HUMAN RESOURCES (HR) BULLETIN #003, FY05,
MANAGING HUMAN CAPITAL (PRESIDENT'S MANAGEMENT AGENDA)**

SUBJECT: Strategic Management of Human Capital

EFFECTIVE DATE: Upon issuance of this Bulletin

EXPIRATION DATE: N/A

SUPERCEDES: N/A

BACKGROUND: This Bulletin supplements and is not a substitute for guidelines provided by the President's Management Agenda (PMA), the Office of Personnel Management (OPM), or the Office of Management and Budget's (OMB) Bulletin (OMB 01-07). This Bulletin also supplements guidance provided by the National Academy of Public Administration, the American Management Association, the General Accountability Office, the Performance Institute, and the 2002 Homeland Security Act that mandates the appointment of a Chief Human Capital Officer in the Department.

PURPOSE: This Bulletin offers assistance concerning the requirements, policies, and procedures applicable to the Department's human resources initiatives and programs with respect to the Strategic Management of Human Capital Initiative of the PMA. It provides a tool to help organizations achieve their shared visions, overall goals and missions.

COVERAGE AND EXCLUSIONS: Provisions of this Bulletin are applicable Department-wide, subject to the meaning given them by the governing regulations and/or Departmental Orders.

DEFINITIONS:

01. Workforce Planning - Workforce planning is a methodical process of analyzing the current workforce, determining future workforce competency needs, identifying gaps between the present and future workforce to determine the skills that are needed to meet mission goals and objectives. Strategic alignment of an organization's human capital with its business direction is essential throughout this process to facilitate mission attainment.

02. Human Capital - Human capital refers to people and their competencies, recognizing that people are assets whose value to the organization can be enhanced through investment by the organization, e.g., developmental opportunities.
03. Shared Vision - Vision is a mental picture of where the organization wants and plans to be in the future and in order for it to become a shared vision, should be clearly articulated to all stakeholders.
04. Strategic Management of Human Capital (SMHC) - The SMHC, as defined by the PMA, is the use of strategic workforce planning and flexible tools to recruit, acquire, develop, retain, reward employees and develop a high-performing workforce.

In the context of this Bulletin, the SMHC, on an operational level, is the process by which the Department, bureaus, and organizations collect human resources data and information, evaluate and analyze that data, and align the information gained to understand the strategic approaches necessary to meet the organization's goals, objectives, and produce a set of "best practices" that benefit both employees and other organizational stakeholders.

05. Gap Analysis - Gap analysis is the review, calculation, and analysis of the difference between the current and future supply and demand of human capital in the organization.
06. Competencies - Competencies are the knowledges, skills, abilities, attitudes, and behaviors of employees that are necessary to perform work that supports an organization's mission and/or role.
07. Succession Planning - The process by which an organization pinpoints the near- and long-term key competency needs of the organization and includes preparation of staff for present and future work responsibilities.
08. Chief Human Capital Officer - As mandated by a provision in the 2002 Homeland Security Act, the Chief Human Capital Officer is the individual with ultimate responsibility to oversee the SMHC of the agency.

BASIC PRINCIPLES:

01. In general, strategic workforce planning addresses two critical needs: (1) aligning an organization's human capital with its current and emerging mission and programmatic goals; and (2) developing long-term strategies for acquiring, developing, and retaining staff to achieve programmatic goals.
02. The workforce planning and SMHC processes include: (1) the communication of performance expectations to ensure work is performed accordingly with mechanisms in place to identify and address performance deficiencies; (2) the formal establishment and documentation of organizational planning and management activities and their associated costs; (3) the establishment of standards that can be compared to benchmarks or internal targets; and (4) making resource allocation decisions to support objectives.

03. Organizational approaches to such planning can vary with each organization's particular needs and mission. The success of the workforce planning process that an organization uses can be measured by its results and how well it helps the organization attain its mission and strategic goals.
04. Workforce planning strategies should include:
 - a. Involvement of top management, employees, and other stakeholders.
 - b. Roadmap tailored toward addressing competency gaps.
 - c. Building the capacity to support overall workforce strategies: This may include educating managers and employees on the use of tools or flexibilities available, streamlining administrative processes, and/or building accountability into various systems.
 - d. Mechanisms, such as the balanced scorecard, to monitor and evaluate progress: For organizations to move toward a high-performance culture, the measurement of the outcomes of the human capital strategies and how the outcomes helped the organization accomplish its mission and goals is essential. This can assist any organization with identifying barriers to success, providing effective oversight, identifying shortfalls, and means for continuous improvement. The development of meaningful, outcome-oriented performance goals and collecting performance data to measure achievement of these goals is a major challenge and should be considered a high priority in any SMHC initiative.
 - e. Workforce analyses, any necessary organizational restructuring, organizational succession planning, linking performance plans to strategic goals, differentiating high and low performance, employing strategies to reduce underrepresentation, and establishing and implementing effective accountability systems, all are important elements to workforce planning.

RESPONSIBILITIES: There is a shared responsibility and accountability among agency leaders, managers and supervisors, employees, and human resources representatives relative to SMHC.

01. Agency leaders: In their capacity as Departmental and bureau level program and human capital leaders, should:
 - (a) Set the overall direction and goals of each effort and involve employees and other stakeholders in establishing a communication strategy that creates shared expectations for the desired outcome.
 - (b) Foster a diverse and high-performance work culture and articulate this support to the workforce and hold managers and supervisors accountable accordingly. Through appropriate administrative channels, consult with key Congressional members and stakeholders on Department and bureau strategic goals and objectives.

02. Managers and supervisors: Define the critical skills and competencies that they will require in the future to meet their strategic program goals. Identify and meet succession needs for mission-critical occupations and the workforce skills and competencies, including those that the organization will need to recruit, acquire, develop, and retain to meet near- and long-term goals. Establish a means to routinely re-evaluate and update overall strategic goals on a planned, periodic basis (e.g., every 5 years) and take steps, as appropriate, to modify workforce planning models or plans accordingly.
03. Employees: Perform in accordance with their performance plans. In collaboration with their managers and supervisors, exercise initiative with regard to career growth and development.
04. Human Resources Representatives:
 - (a) Educate and communicate to agency management officials and other stakeholders on available workforce flexibilities that can enable an organization to move from the current to the future workforce to achieve their program goals.
 - (b) Utilize hiring and workforce flexibilities in their planning that exist under current authorities, as well as develop or explore the use of new flexibilities that may require additional legislation or high-level Departmental approval before they can be adopted. Examples might include moving toward more flexible pay for performance systems, recruiting for unique occupational series, finding ways to recruit individuals in unique educational fields, or other options.
 - (c) Consult with agency leaders, managers and supervisors, employees, and other stakeholders as needed on the importance of recognizing and understanding the agency's diversity goals to effectively recruit a diverse workforce.
 - (d) Fulfill reporting responsibilities as required. Specifically, the Office of the Secretary, Office of Human Resources Management, maintains reporting responsibilities for workforce planning, human capital management, and associated accountability provisions, to OPM, OMB, and other federal entities as necessary.

REFERENCES: The President's Management Agenda.

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