



Highlights of a high-risk area discussed in the GAO report entitled High-Risk Series: Strategic Human Capital Management (GAO-03-120)

Why Area Is High Risk

In its January 2001 *High-Risk Update* (GAO-01-263), GAO designated strategic human capital management as a governmentwide high-risk area. The basic problem, which continues today, has been the long-standing lack of a consistent strategic approach to marshaling, managing, and maintaining the human capital needed to maximize government performance and assure its accountability.

This report is part of a special series of reports on governmentwide and agency-specific challenges.

What Remains to Be Done

Reaching and maintaining an approach to human capital management that is strategic will take considerable effort from the Congress, agencies, the Office of Personnel Management, and the Office of Management and Budget. Ultimately, Congress will need to consider additional legislative reforms to existing civil service laws. While momentum continues to build for comprehensive civil service reform, agencies need to use currently available flexibilities to recruit, hire, develop, retain, and hold employees accountable for mission accomplishment.

www.gao.gov/cgi-bin/getrpt?GAO-03-120.

For additional information about this high-risk area, click on the link above or contact J. Christopher Mihm at (202) 512-6806 or mihmj@gao.gov.

HIGH-RISK SERIES

Strategic Human Capital Management

What GAO Found

Leading public organizations here and abroad have found that strategic human capital management must be the centerpiece of any serious change management initiative and efforts to transform the cultures of government agencies. Unfortunately, the federal government's strategic human capital approaches are not yet well positioned to enable the needed transformation.

Since we designated strategic human capital management as a governmentwide high-risk area in January 2001, Congress has taken a number of steps to address the challenges identified, including granting agencies significant new authorities for managing their human capital as part of the Homeland Security Act of 2002. The strategic management of human capital was also placed at the top of the President's Management Agenda. Individual agencies have also taken action to address their specific challenges.

Despite the considerable progress over the past 2 years, it remains clear that today's federal human capital strategies are not appropriately constituted to meet current and emerging challenges or to drive the needed transformation across the federal government. Specifically, agencies continue to face challenges in four key areas:

- *Leadership*: Top leadership in the 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.

Importantly, although strategic human capital management remains high-risk governmentwide, federal employees are not the problem. Rather, the problem is a set of policies and practices that are not strategic, and viewed by many as outdated and over-regulated. In the final analysis, modern, effective, and credible human capital strategies will be essential in order to maximize the performance and assure the accountability of the government for the benefit of the American people.