

# Elevating, Integrating, and Institutionalizing Strategic Human Capital Management in Federal Agencies Through the Chief Human Capital Officer

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*The Chief Human Capital Officer (CHCO) Act, enacted as part of the Homeland Security Act of 2002, modifies existing human capital rules and establishes the position of CHCO in cabinet-level agencies. Although a CHCO raises the awareness of federal human capital issues, the CHCO's actual range of authority, impact, and long-term role remain untested. This article compares key provisions of the CHCO Act to provisions creating similar agency strategic management positions and questions whether the CHCO achieves the same status. Issues discussed include whether elevating the role of strategic human capital management is best achieved through a politically appointed CHCO or a career senior executive; integration issues influencing the CHCO's ability to effect workforce change within an agency; and institutionalization issues, in light of a concurrently established CHCO council and the Office of Personnel Management's centralized role in defining, issuing, and administering government-wide workforce regulations.*

**Keywords:** *human capital; chief human capital officer; human resources; strategic management*

With able people operating them, even second rate organizational structures can be made to work, and without able people, even first rate ones will fail.

—U.S. Comptroller General David Packer  
(General Accounting Office [GAO],  
1988, p. 8)

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## INTRODUCTION

Successful initiation and implementation of widespread change throughout the federal government can be difficult. Executive branch reform efforts without a strong base of legislative support often stall or fade away as one administration transitions to another (Kamensky, 2003). This is especially true when the subject of the reform effort involves federal civil servants. For many legislators, reinvention of the government is boring in comparison to such issues as energy or health care policy (Light, 1999). Therefore, although a president may achieve some success by promoting a particular management agenda through control of the executive branch, because the legislative branch ultimately controls the authorizing and appropriating process, long-term federal government reform is realistically achievable only with legislative support (Kamensky, 2003).

During the past few years, both branches of the federal government have increasingly promoted the belief that a federal human capital crisis is imminent and can be addressed only through government-wide workforce reform. Both branches have independently championed the idea of elevating human capital issues to the strategic level within federal agencies (Office of Management and Budget [OMB], 2002; Voinovich, 2001; Walker, 1999). In addition, representatives of academia, nongovernmental think tanks, the private sector, and even federal employee labor organizations have commented about ways that a commitment to strategic human capital management is critical to achieving federal workforce reform (Abramson & Gardner, 2002; American Federation of Government Employees, 2002; Lane, Wolf, & Woodard, 2002; Lunney, 2001).

Within the legislative branch, U.S. Comptroller General David Walker, whom commentators generally credit with popularizing the term *human capital* (Friel, 2003), has consistently promoted issues related to the federal government's workforce as being compatible with the GAO's work to transform the business of government work and how government does business (Lawrence, 2002). In addition, Senator George V. Voinovich (R-OH) has played a key legislative role in raising the political profile of the concept of strategic human capital management through his work as chairman of the Committee on Government Affairs' Subcommittee on Oversight of Government Management, Restructuring, and the District of Columbia.

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Voinovich (2000) has described his subcommittee's approach as working from a premise that the problems with "slow and unresponsive bureaucracies" may not be with the federal employees themselves but may actually be the result of a workplace culture ill-prepared to manage its human capital (p. 2).

Within the executive branch, President George W. Bush's *President's Management Agenda* (OMB, 2002) sets forth five government-wide initiatives for reforming federal government: (a) strategic management of human capital, (b) expanded electronic government, (c) improved financial management, (d) budget and performance integration, and (e) competitive sourcing. To track progress, the president assigned senior-level appointees at the OMB and the Office of Personnel Management (OPM) to pursue with agencies the implementation of a balanced scorecard—a color-coded grading system for each of the management agenda goals (M. E. Daniels, personal communication, October 30, 2001). Rather than attempting to replace or compete with the existing statutory Government Performance and Results Act (GPRA), the OMB developed a results-oriented program assessment rating tool to steer agencies toward identifying and tracking outcome measures—instead of activity measures—as a basis for future performance-based programming and budgeting initiatives (M. E. Daniels, personal communication, June 14, 2003). Such actions among both branches drew the praise of Comptroller General Walker: "We're working together on matters that are inherently nonpartisan in ways that we've never done before" (Lawrence, 2002).

On November 25, 2002, President George W. Bush signed the Homeland Security Act, the result of legislative and executive branch collaboration. Title 13 of the act, titled the "Chief Human Capital Officer Act" (CHCO Act), creates the CHCO position in each of the cabinet-level departments and major agencies. The CHCO Act is codified in Title 5 of the *United States Code*, which addresses federal personnel matters. The CHCO's primary role is to provide the agency head strategic policy and planning advice and assistance in carrying out agency functions related to selection, development, training, and management of a high-quality, productive workforce. The CHCO Act mandates that (a) agencies include human capital strategic planning in agency performance plans, (b) the OPM design a set of metric-based systems to assess agency human capital management, and (c) the OPM establish a chief human capital officers council to advise and coordinate member-agency activities among CHCOs.

Establishment of the CHCO position is consistent with prior congressional actions to transform federal agencies by introducing strategic planning and management through the statutory creation of key leadership positions similar to those in private sector organizations. Two such positions previously incorporated within federal agencies include the chief financial officer (CFO) and the chief information officer (CIO). During the Senate discussion of the homeland security legislation, Senator Voinovich, the chief proponent of the CHCO Act, stated, “The government-wide human capital provisions . . . are giving human capital a much higher priority in the federal government, just as it is given in most corporations that are successful” (107th Cong., 148 Cong. Rec. S11169, 2002). Similarly, soon after passage of the CHCO Act, OPM Deputy Director Dan Blair observed,

We have a CFO Council, which is devoted to good financial practices, and we have a chief financial officer at each of these agencies. We have a chief information officer, and a CIO Council that will oversee IT issues at each of these agencies. This is a recognition of the elevation of . . . human capital . . . issues, in the world around us today, that in order to effectively manage your organization, you not only need to effectively manage your money and your information technology, but you need to be able to manage your people well too, and naming a chief human capital officer is recognition of that. (Lawrence, 2003)

Clearly, in the current political environment, the legislative and executive branches share a level of common interest in human capital issues. This interest improves the likelihood of the CHCO position achieving and retaining the same status within agencies as other strategic management positions such as the CFO or CIO. Over time, however, as legislative and executive branch interests diverge, the extent to which the CHCO position maintains its status in relation to either the CFO or CIO positions ultimately depends on the underlying statutory language of the CHCO Act.

We explore whether, and to what extent, the CHCO Act achieves the executive and legislative branches’ intent of heightening the importance of federal government strategic human capital management. Part 2 analyzes the CHCO Act by comparing similar provisions in the Chief Financial Officers Act (CFO Act) or provisions governing the CIO position. Our analysis is organized around three characteristics GAO has previously applied in assessing key federal government strategic management positions: (a) elevation (discussing whether the CHCO should be a political

appointee or a career senior executive), (b) integration (discussing the CHCO's ability to influence and effect workforce change within an agency), and (c) institutionalization (discussing the agency-level CHCO role in relation to the roles of the OPM and the CHCO council). Part 3 suggests changes to the current statutory language that would strengthen the CHCO position in relation to the CFO and CIO positions and improve the likelihood that the organizational and government-wide role of the CHCO achieve and retain the status that current legislative and executive branches intend after the federal government is no longer in a human capital crisis or when legislative and executive branch priorities diverge.

This article concludes that codification of the CHCO Act is an important initial step in raising the visibility of strategic human capital management in the federal government to a level similar to strategic financial or technology management. Current language, however, does not guarantee the CHCO position the same level of authority as either the CFO or CIO positions. Changes to certain provisions would ensure that the CHCO is on equal footing with those in financial and technology strategic leadership positions in transforming the federal government.

#### ANALYSIS—THE CHCO ACT

In structuring an analysis of the statutory language of the CHCO Act, a recent report from the GAO titled "The Chief Operating Officer Concept: A Potential Strategy to Address Federal Governance Challenges" (GAO, 2002) provides a useful framework. On September 9, 2002, the GAO convened a group of current or recent executive branch officials with political leadership and civil service managerial experience, as well as representatives of the National Association of Public Administration, Johns Hopkins University, and the Private Sector Council. The participants discussed issues affecting successful implementation of a chief operating officer (COO) position to address "systemic federal governance and management challenges" (GAO, 2002, p. 1) as a transformational leader. The participants did not reach a consensus on implementation of the COO position. In its subsequent written report, however, the GAO identified three themes for consideration when evaluating such types of strategic management positions and associated responsibilities for driving transformational change. Those three themes are elevation, integration, and institutionalization.

### Elevation Issues

The GAO defines elevation as the “sustained and inspired commitment of the top political and career leadership” (GAO, 2002, p. 3). For the CHCO to be successful in leading transformational change within an agency, the CHCO must have support, access, and visibility at the highest level of the agency and be able to advance issues directly to the head of the agency.

Section 1401 of Title 5 of the *United States Code* establishes the CHCO position, stating that within all cabinet-level departments and major agencies, “the head of each agency . . . shall appoint or designate a Chief Human Capital Officer.” The reporting status of the CHCO appears in Title 6 of the *United States Code*, dealing with management issues within the Department of Homeland Security. Section 344 of Title 6 provides that “the Chief Human Capital Officer shall report to the Secretary, or to another official of the Department, as the Secretary may direct.” The language contrasts with related statutory language establishing similar agency chief officer management leaders, such as the CFO or CIO. For instance, the CFO Act (2002) expressly provides that, within the cabinet-level departments and major agencies, the CFO shall be

appointed by the President, by and with the advice and consent of the Senate; or be designated by the President, in consultation with the head of the agency, from among officials of the agency who are required by law to be so appointed. (Sec. 901[a][1][A],[B])

For other major agencies, the CFO must be “appointed by the head of the agency; be in the competitive service or the senior executive service; and be career appointees” (Sec. 901[a][2][A],[B],[C]). Language governing appointment of an agency’s CIO requires the head of cabinet-level departments to designate a CIO. Both the CFO and the CIO report to the agency head.

Presidential administrations, Congress, and the career civil service have long debated whether particular chief management positions should be political appointees or career federal executives and the reporting structure for such positions (Ingraham, Thompson, & Eisenberg, 1995). For instance, in 1988, the GAO and a Senate Governmental Affairs Committee subcommittee jointly hosted a civil service reform seminar addressing the status of the federal civil service since passage of the Civil Service Reform

Act of 1978. Howard M. Messner, former assistant director for management improvement, OMB, advised the subcommittee that his experience indicated that political appointees were essential to bringing about the wide-sweeping civil service reforms of 1976 and 1977:

This Reform was not called for by the career service, [but rather . . .] was brought about by political appointees. Its shape and substance was designated by career people, but it was the political process that kicked it off. It was the political process that used its currency to bring about change in the huge enterprise known as the federal government. (GAO, 1988, p. 51)

More than 15 years later, writing for the Heritage Foundation, George Nesterczuk, a government relations consultant, maintains that placing only political appointees in high-ranking administrative positions, regardless of management experience, is the best way to ensure the achievement of a president's "election-endorsed and value-defined program" because, essentially, loyalty is more important than experience or qualifications (Nesterczuk, Devine, & Moffit, 2001, p. 5). In particular, Nesterczuk et al. (2001) assert,

Career civil servants should not be tasked with formulating and executing the details of an agenda for major policy change. Political appointees, personally loyal to the President and fully committed to his policy agenda, are essential to his success, especially in the crucial early months of his Presidency. No President can or will advance his agenda alone or with a small handful of staffers in the White House or the federal departments. The President needs a full cadre of personnel committed to him and his agenda in the federal agencies that execute the details of national policy. (p. 3)

The Brookings Institute's Paul Light agrees that for purposes of leading change, the politically appointed CHCO will have more clout. According to Light, "the only way a CHCO can force change is as a political appointee." He added, "If they are career employees, they won't be invited to the table. We have to be blunt about it" ("Presidential Initiative," 2002).

Others counter that "if the CHCO is a political appointee, the agency head would have limited power to remove the CHCO for failure to achieve results" (Stier, 2002). In addition, to attract and retain the best and brightest, there must be opportunities for them to participate in high-level leadership activities and decision making. The Honorable Donna Shalala, former secretary of the Department of Health and Human Services, elaborated on this viewpoint during a March 2003 hearing before the U.S. House of Representatives Committee on Government Reform:

I have served in government on the Democratic side, but I have also observed leaders of government on the Republican side. In both cases, I have been in government where civil servants were never allowed in the room under Democratic and Republican administrations when major decisions were being made. During my tenure I never made a major decision in which only political appointees were in the room because I knew well that, unless senior civil servants who had most of the information were in the room, and they brought the junior people that did much of the work into the room, we would not be able to either recruit or retain them. (U. S. House of Representatives, 2003)

At that same briefing, Paul Volcker, chairman of the National Commission of the Public Service, observed that the relatively short tenure (approximately 2 years) for political appointees makes it “very hard to have the perspective that is necessary and the tenure that is necessary to operate an efficient ship” (U. S. House of Representatives, 2003). Volcker noted,

I think we are trying to do two things. The government is complicated. We want a strong, coherent political direction, but when it gets to administering a program, the administrative job . . . then the balance goes toward getting some managerial flexibility and effectiveness. That takes a kind of different talent than the political one. It takes people who are going to be there for a while and have responsibility. You can have measurable results. That is what we want to encourage. (U. S. House of Representatives, 2003)

On April 18, 2003, faced with the responsibility of establishing a CHCO council by the statutory effective date of May 24, 2003, OPM Director Kay Coles James issued a five-page guidance memorandum (OPM guidance) to heads of departments and agencies (K. C. James, personal communication, April 18, 2003). The OPM guidance incorporated, by reference, an expectation that agencies elevate the CHCO position to the same level of importance as an agency’s CFO and CIO, stating “[the CHCO] is vested with ‘stewardship’ responsibility for [the agency’s] human resources, much as an agency’s chief information officer and chief financial officer are with respect to its information and fiscal resources” (K. C. James, personal communication, April 18, 2003). Regarding status of the position, according to the OPM guidance,

it is intended that the CHCO be an individual at a very senior level who has the trust of the Secretary or agency head to serve as chief policy advisor on all human resource management issues, including the most sensitive and confidential policy matters. (K. C. James, personal communication, April 18, 2003)

Acknowledging that the agency head could either appoint or designate a CHCO, the OPM guidance recommended that if the CHCO was to be a new position, the position should be placed within the senior executive service (SES). If the agency head was going to designate CHCO responsibilities to an existing position, that position should be either a member of the SES or an existing presidential appointee. OPM further urged agency heads to ensure that if the CHCO did not report directly to the agency head, the CHCO should “serve as an integral part of [the agency head’s] 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” (K. C. James, personal communication, April 18, 2003). When OPM announced the first group of chief human capital officers on May 24, 2003, the member roster reflected a mix of at least 40% to 50% presidential appointees (U. S. Office of Personnel Management News Release, 2003).

### Integration Issues

When evaluating a chief officer position, the GAO reflected, “by their very nature, the problems and challenges facing agencies are crosscutting and thus require coordinated and integrated solutions” (GAO, 2002, p. 3). For the CHCO to fulfill this responsibility and initiate transformational change by integrating new or changed human capital policy consistently throughout all functional areas of the agency, the CHCO must possess not only a degree of technical competency but also certain leadership qualities.

The statutory language establishing the CHCO position sets forth duties and functions for whomever the agency head selects or designates as CHCO. Section 1401 of Title 5 of the *United States Code* provides that

[the Chief Human Capital Officer . . .] shall—

- (1) advise and assist the head of the agency and other agency officials in carrying out the agency’s responsibilities for selecting, developing, training, and managing a high-quality, productive workforce in accordance with merit system principles;
- (2) implement the rules and regulations of the President and the Office of Personnel Management and the laws governing the civil service within the agency; and
- (3) carry out such functions as the primary duty of the Chief Human Capital Officer.

Section 1402 sets forth the authority and functions of agency CHCOs:

- (a) The functions of each Chief Human Capital Officer shall include—
- (1) setting the workforce development strategy of the agency;
  - (2) assessing workforce characteristics and future needs based on the agency mission and strategic plan;
  - (3) aligning the agency's human resources policies and programs with organization, mission, strategic goals, and performance outcomes;
  - (4) developing and advocating a culture of continuous learning to attract and retain employees with superior abilities;
  - (5) identifying best practices and benchmarking studies; and
  - (6) applying methods for measuring intellectual capital and identifying links of that capital to organizational performance and growth.

Compared to either the CFO or CIO Acts, the CHCO statutory language is silent with respect to expressly specifying desired or required professional characteristics or competencies. The CFO must be appointed or designated from among individuals who “possess demonstrated ability in general management of, and knowledge of and extensive practical experience in financial management practices in large governmental or business entities” (CFO Act, Sec. 901[a][3]). Although not as strong, similar language advises that the CIO be “selected with special attention to the professional qualifications required to administer the functions [of the statute]” (Executive Order 13011, 1996). Short of plain language within the statute or statements in the *Congressional Record* evidencing intent, one is left to presume that the qualifications of the CHCO are implied by virtue of the position's statutory duties.

Prior to actual passage of the CHCO Act, OPM Director James spoke of the role of the CHCO and the qualities that the individual in such a position would need. James envisioned the CHCO as giving human resources a seat at the policy-making table along with the agency head and other chief officers (Long, 2002). This, however, requires the CHCO to understand both the personnel and the budget. According to James, “we still have a little bit of work to do in the public sector to . . . help our managers understand that we are policy experts and not just the personnel bunnies some might think we are” (Long, 2002).

In her April 18, 2003, OPM guidance, James clarified that because the CHCO is envisioned as a member of an agency's senior leadership team, “[the] Chief Human Capital Officer will require qualities and competencies that likely differ from those traditionally found in a Federal agency's

typical personnel or human resources (HR) staff function” (K. C. James, personal communication, April 18, 2003). Others agree. For instance, Gene L. Dodaro, COO for the GAO, said that the CHCO is not about “giving someone in the organization a new job title” (Friel, 2003). Whereas federal agency human resources (HR) directors focus on day-to-day administrative processes, CHCOs will set the agency’s workforce strategy. Thus, agencies would be wrong simply to redesignate existing human resource directors as CHCOs (Friel 2003; “New CHCOs,” 2003). Steven Nelson, director of policy and evaluation for the Merit Systems Protection Board (MSPB), expressed a similar perspective:

CHCOs are not necessarily the same as human resources directors. Effective human capital management requires interaction and involvement of HR at the top executive levels. Only in rare instances are individuals able to serve as HRM directors and also act effectively as full strategic partners, capable of involving the most senior leadership in addressing the agencies’ human capital issues. The CHCO positions should have professional requirements and competencies not unlike those of the government’s chief financial officers or chief information officers. While the CHCO must be a member of the top executive team, simply giving the existing HR director or the assistant secretary for management another hat to wear is not likely to result in more effective human capital management. (Nelson, 2003, p. 2)

Such a distinction between the role of the CHCO and the agency HR function arguably raises questions regarding federal HR as a profession. For example, to what extent is the CHCO meant to function separately and apart from the operational HR office? Should the HR director report to or through the CHCO? What effect, if any, will the heightened status of HR, as reflected through the agency CHCO, have in terms of improving the status of HR’s operational ranks, which have suffered downsizing during past administrations and have, traditionally, not required professional degrees or certification among staff? Although the CHCO Act does not answer these questions, one may be certain that the federal HR community will watch with interest the implementation of the CHCO Act for any sign of change or impact on federal human resources as a profession in general. Ideally, the existence of an agency CHCO and the government-wide CHCO council will serve as a catalyst for promoting future capacity-building opportunities and increased professionalism requirements within the field of federal HR management.

To address what the statutory language did not, with respect to CHCO qualifications, the OPM guidance included a three-page competency template to direct the selection of the CHCO. Director James noted that the

template was “not intended to be specific to the Federal government; rather, [it is] deliberately generic in nature to encourage the consideration of candidates with relevant experience and expertise from other sectors” (K. C. James, personal communication, April 18, 2003). The template presents a profile of six competency areas based on the OPM-OMB balanced scorecard standards for success in the Human Capital Management Initiative of the *The President’s Management Agenda* (OMB, 2002).

According to the OPM’s competency template, the ideal CHCO should (a) demonstrate strategic alignment by possessing an ability “to participate as a full business partner,” which requires being versed in the agency’s core missions and functions; (b) lead workforce planning and deployment by “work[ing] closely with the agency’s planning and budget staffs” to ensure that HR plans integrate with financial and operations plans and other agency plans, requiring an ability to employ appropriate techniques for modeling future HR requirements as well as to assess requirements against existing or projected workforces; (c) develop and implement leadership and knowledge management through training to assure that leaders throughout the agency “foster a work environment and organizational culture that values technical excellence, continual learning, and performance improvement,” leveraging the information resources and systems available when possible; (d) promote a results-oriented performance culture through the ability to “design, develop, and implement compensation and performance management systems” to ensure high standards, accountability, and performance excellence; (e) analyze and identify talent needed to meet the agency’s mission, including gaps between what the agency has, needs, and how it means to address the gaps; and (f) establish accountability, as evidenced by an ability to ensure that in terms of human capital, the agency’s strategy, systems, policies, programs, and practices conform with appropriate authorities, are results oriented, and are linked to the agency’s other accountability systems “to include its planning, performance measurement, program evaluation, budgeting, and financial management systems” (K. C. James, personal communication, April 18, 2003).

On June 11, 2003, the first group of CHCOs gathered for their inaugural meeting. The meeting was closed to the public; however, news accounts reflect that on recognizing varying levels of expertise among the first group of CHCOs, Director James decided to establish a CHCO Academy to “provide learning opportunities to guarantee we are all working at the same level” (Filipczyk, 2003). The potential agenda topics for the CHCO Academy, to be sponsored through OPM’s Federal Executive Institute, included (a) strategic human capital management; (b) leadership development; (c)

getting, developing, and keeping talent; (d) creating a results-oriented culture; (e) benefits trends; and (f) competitive sourcing (Filipczyk, 2003). Not surprisingly, these topics track closely with the six desired CHCO competency areas mentioned in the OPM competency template.

Although not expressly stated within the CHCO Act itself, the Homeland Security Act did integrate two of the specific functions of the CHCO with the requirements of existing government-wide strategic planning under the GPRA—specifically, the functions of the CHCO to set workforce development strategy and to assess “work force characteristics and future needs based on the agency mission and strategic plan” (5 U.S.C. § 1402[a][2]). Section 1311 of the Homeland Security Act amended the GPRA at Section 1115 of Title 5. This amendment addresses the CHCO’s role in preparing the agency’s annual performance plan, providing that “with respect to each agency with a Chief Human Capital Officer, the Chief Human Capital Officer shall prepare that portion of the annual performance plan described under [GPRA].” Additionally, the Homeland Security Act amended the GPRA at Section 1116(d) of Title 5 to include human capital within agency program performance reports. Thus, GPRA now requires “a review of the performance goals and evaluation of the performance plan relative to the agency’s strategic human capital management.”

Finally, to integrate human capital management policies and practices successfully throughout an agency, the CHCO must have ready access to agency information. Section 1402(b) of Title 5 provides such access:

- (b) In addition to the authority otherwise provided by this section, agency Chief Human Capital Officer—
  - (1) shall have access to all records, reports, audits, reviews, documents, papers, recommendations, or other material that—
    - (A) are the property of the agency or are available to the agency; and
    - (B) relate to programs and operations with respect to which that agency Chief Human Capital Office has responsibilities under this chapter; and
  - (2) may request such information or assistance as may be necessary for carrying out the duties and responsibilities provided by this chapter from any Federal, State, or local governmental entity.

For some, this level of access appears excessive. Max Stier, president and chief executive officer of the Partnership for Public Service, believes a provision such as this may be potentially problematic and unnecessary. According to Stier (2002), the CHCO is not meant to function as an inspector general, independent from agency management. Rather, Stier views the CHCO position as “intended to be an integral part of senior agency man-

agement . . . [which] presumably [should] be able to call on cooperation from others in the agency just as CFOs and CIOs do now.” On the other hand, the MSPB’s Steve Nelson supports a strong relationship between the CHCO and the agency inspector general. According to Nelson (2003), “CHCOs should have a significant oversight role in order to maintain adherence to the merit principles across agency HR policies and practices” (p. 2). From Nelson’s perspective, “achieving top leadership involvement while integrating the merit principles with the corporate core values, requires a very dedicated focus” (p. 2).

Director James did not address the topic of access to information in her guidance memorandum to agency heads. Given the broad language setting forth the CHCO functions, however, the authority to access information readily and completely seems reasonable. Logically, for the CHCO to assess workforce characteristics and future needs, the CHCO must be able to acquire existing workforce data. To align policies and progress with organization, mission, strategic goals, and performance outcomes, the CHCO, again, needs access to existing information. Without a statutory mandate, the CHCO may not otherwise be able to access useful information easily, such as records and audits.

### **Institutionalization Issues**

According to the GAO, “making fundamental changes in agencies’ cultures will require a long-term effort [ . . . ] often at least 5 to 7 years until such initiatives are fully implemented and the related cultures are transformed in a sustainable manner” (GAO, 2002, pp. 3-4). Given the frequent turnover within the political-appointee ranks, this timeline may be conservative. Tying the CHCO planning and performance functions to the GPRA, as previously described, is one way to institutionalize the CHCO role. Another way that the CHCO Act addresses institutionalization issues is through establishment of the CHCO council, codified at section 1103 of Title 5:

- (a) Establishment. There is established a Chief Human Capital Officers Council, consisting of—
  - (1) the Director of the Office of Personnel Management, who shall act as chairperson of the Council;
  - (2) the Deputy Director for Management of the Office of Management and Budget, who shall act as vice chairperson of the Council; and

(3) the Chief Human Capital Officers of Executive departments and any other members who are designated by the Director of the Officer of Personnel Management.

(b) Functions. The Chief Human Capital Officers Council shall meet periodically to advise and coordinate the activities of the agencies of its members on such matters as modernization of human resources systems, improved quality of human resources information, and legislation affecting human resources operations and organizations.

(c) Employee labor organizations at meetings. The Chief Human Capital Officers Council shall ensure that representatives of Federal employee labor organizations are present at a minimum of 1 meeting of the Council each year. Such representatives shall not be members of the Council.

The language creating the CHCO council closely tracks the language creating the CFO Council, specifically the sections establishing the council and setting forth its functions, with differences related mainly to subject matter. The statutory language establishing the CHCO council includes an additional provision that specifies that federal union representatives “shall not be members of the Council” (CHCO Act, 2002, 5 USC § 1103[c]).

On its face, the functions of the CHCO council appear to establish the council primarily as an information-sharing body. Mandating the OPM director as CHCO chair and the OMB deputy director for management as vice chair, however, clearly also positions the CHCO council as a conduit for the OPM and the OMB to agencies for transmitting the administration’s policies and initiatives. In her April 18, 2003, guidance memorandum, Director James stated that the CHCO council “is envisioned to be a high-level policy planning body that can address and advance the Administration’s strategic objectives.” Such a view is consistent with the current administration’s practice of leading change initiatives within agencies from the top down, including respecting the distinct separation between management and union roles. In this regard, a centralized body such as the CHCO council may provide individual CHCOs with support and leverage in furthering human capital initiatives in agencies otherwise reluctant to change.

Conversely, given that the Homeland Security Act separately mandated to the OPM the responsibility of establishing measures and metrics, it is conceivable that the CHCO council may become simply the focal point for implementing the OPM measures and metrics throughout member agencies. If this is the case, the statutory language, as presented, offers no clear direction regarding the extent to which the CHCO may individualize such measures and metrics to the particular organizational culture of his or her

agency (Stier, 2002). Thus, for example, reconciling the CHCO's functions of "setting the workforce development strategy of the agency" or "developing and advocating a culture of continuous learning" may become increasingly difficult for the CHCO (5 U.S.C. § 1401[a][4]). This could become a particular concern if council initiatives do nothing more than mirror initiatives of a specific presidential administration because each subsequent administration will undoubtedly have different policy agenda initiatives.

Director James's April 18, 2003, guidance memorandum was silent on this point. The CHCO council charter distributed during fall 2003 addresses this issue by noting that one of the council's purposes is to "assist member CHCOs and other officials with similar responsibilities in fulfilling their individual responsibilities to . . . assess workforce characteristics and future needs and align the agency's human resources policies and programs with the agency's mission, strategic goals, and performance objectives" (U. S. OPM CHCO Charter, 2003). In November 2003, the OPM announced five subcommittees within the CHCO council to provide a means for council members to assess specific issues and propose policy and legislative recommendations in the following areas: hiring, performance management, leadership development and succession planning, employee conduct and poor performers, and emergency preparedness ("OPM Names Key Area Subcommittees," 2003).

A final area related to institutionalization is the external reporting requirement. The final subsection establishing the CHCO council provides that "each year, the Chief Human Capital Officers Council shall submit a report to Congress on the activities of the Council" (CHCO Act, 2002, 5 USC § 1103[d]). Such a requirement, although broad, indicates a continuing congressional interest in CHCO activities government-wide and provides a historical record for future CHCOs and agency heads.

#### PROPOSED CHANGES TO THE CHCO ACT

Analysis of the statutory language of the CHCO Act reveals several areas in which further legislative action may be warranted to ensure the long-term viability of the CHCO position on par with the CFO and CIO positions. In terms of elevation issues, legislators should consider amending the CHCO Act to require that in addition to having the head of the agency appoint or designate the CHCO, the CHCO must report directly to the head of the agency. Such an internal reporting structure would ensure that the CHCO has the same level of access to top decision makers as do the

CFO and CIO positions. More important, however, such a reporting structure would leave no question regarding the agency head's responsibility as the agency's ultimate human capital champion and point of accountability for the strategic management of the agency's human capital (Filipczyk, 2003).

In fact, the management agenda of the current administration provides several prime examples of the benefit of having the CHCO report directly to the head of the agency. Although strategic management of human capital is identified as a major and independent initiative, the role of the CHCO cannot and should not be separated from playing a key role with respect to the other initiatives. For instance, competitive sourcing is an area that requires CHCO involvement. This is particularly the case given the OMB's revisions to the government-wide Circular A-76 competitive sourcing process. They require creation of a human resources advisor position responsible for informing employees about competitive sourcing, publicizing competitive sourcing activities, and working with employees to create action plans and minimize impact (Long, 2004). Clearly, any action that an agency contemplates or takes to complete work will likely involve existing employees and influence future workforce planning. Thus, given the CHCO Act's mandate that the CHCO advise on "selecting, developing, training, and managing a high-quality, productive workforce" (5 U.S.C. § 1401[1]), the CHCO should be intimately involved with competitive sourcing planning or implementation. Some may find the initiatives of management of human capital and competitive sourcing to be at odds. With proper CHCO involvement at the front end, however, competitive sourcing could be targeted to promote and enhance the selection, training, and retention of those employees performing inherently governmental work. Concurrently, the CHCO could assist management officials in decisions regarding the impact on the agency and its workforce in potentially competing or even simply restructuring types of work to best meet the agency's mission, especially in situations where contractors and government employees may be doing the same or similar work at a particular site.

Another initiative that ideally must include the CHCO is budget and performance integration. As agencies make decisions about the costing-out of activities and seek to determine proper benchmarks and performance metrics for measuring program success or failure, the CFO should seek out and include the CHCO. Similarly, in designing e-government systems to tie together internal and external processes and measures, the CIO and the CHCO should work side by side.

With respect to integration issues, a number of areas warrant further attention. First, and most important, legislators should consider amending the current CHCO Act to establish a set of broad competencies or general qualifications. Doing so would promote the appointment of individuals to serve in the CHCO position who possess a requisite baseline level of knowledge, skills, and abilities to serve successfully as a transformational leader, not to mention being able to navigate appropriately within the agency organizational and operational structure. This action would not preclude the agency head from naming a political appointee. Moreover, as they did in the CFO Act, legislators may also wish to consider language specifying that, for career-service appointees, the position would be at the SES level, with specified baseline competency requirements in addition to the executive core qualifications required of all members of the SES. Statutorily identified baseline competencies, as in the CFO Act, would ensure that CHCOs across the government share a common base of knowledge and experience. This requirement would also be consistent with promoting human capital management as a professional field rather than a support or administrative function. Such a requirement would also address the challenges of the CHCO council in maintaining a steady level of experience and knowledge among the members as CHCOs rotate in and out over time.

It is important to note that current statutory language does connect the CHCO's planning and performance management functions to the GPRA, thereby providing consistency with existing management tools. Additionally, current statutory language provides a connection for institutionalizing the CHCO role within agencies during subsequent administrations. Although the CHCO council provides a key connection for institutionalizing the CHCO role within agencies, there are several areas that legislators may wish to clarify. Specifically, neither the role of the OPM in setting the agenda for the operations of the council, nor the flexibilities that individual CHCO members may have vis-à-vis tailoring standards and/or metrics to their particular agency cultures, are clearly stated in current language. One way to address this is through the external reporting requirements for the council. Currently, the statutory language is very broad, requiring only that the council report its activities to Congress. Although the CHCO council has established five work groups, which arguably will drive the agenda of the council and its report to Congress, legislators may wish to identify formally specific topics or elements that must be included within an annual report for subsequent congressional review. This would not only give the CHCO council and the CHCOs useful structure and guidance, but it

would also clarify the level of flexibility and innovativeness that an individual CHCO may ultimately choose to exercise within his or her own agency. Additionally, Congress (and the GAO) would have consistent variables year to year on which to measure progress or identify trends requiring congressional attention.

Another area not addressed in current statutory language is whether a role, and what role, exists for independent agencies or agencies exempt from all or parts of Title 5 in terms of CHCO presence or activities in these respective agencies. Currently, CHCO positions are mandated for all cabinet-level departments and major agencies. The OPM CHCO council charter provides that the OPM director may designate other members, but nothing further is required for small or independent agencies. Arguably, if an agency has a budget large enough to fall under the auspices of the GPRA, which now requires reporting on human capital management activities only for those agencies with a CHCO, the agency should be accountable for ensuring that the full range of CHCO activities and responsibilities are applied within the agency, as appropriate. One way to address this issue is through the Small Agency Council's participation with the CHCO council. Currently, although the chairman of the Small Agency Council is invited to attend CHCO council meetings, there is no statutory requirement for small agency inclusion or participation in terms of Small Agency Human Resource Council representation. Such participation would provide small agencies a voice and, importantly, would provide opportunities for leveraging resources that do not currently exist.

Finally, without an appropriation of resources explicitly identified or an express statement regarding support for the CHCO council, subsequent council activity may become a so-called level-of-effort exercise based on the priorities of the existing administration. Statutory language regarding fiscal resources and support would strengthen the likelihood that the OPM and the OMB continue, under future administrations, to maintain the status of the CHCO council and thus the agency CHCO position on a level consistent with the CFO or the CIO position.

## CONCLUSION

Codification of the CHCO Act was an important initial step in raising the visibility of strategic human capital management in the federal government to a level consistent with either the CFO or the CIO. Concurrent statutory establishment of a CHCO council similarly enhances the importance

of human capital management in that CHCOs are provided a central point for information sharing, policy planning, and activity or initiative coordination. The viability of the CHCO position, as currently described in statute, however, is vulnerable, in certain areas, to changing legislative or executive branch interests or priorities. Although the OPM director issued a government-wide memorandum to provide guidance to agency heads with respect to interpreting the statutory language for purposes of selecting the first group of CHCOs, this memorandum is not legally binding on subsequent OPM directors or agency heads. Moreover, although a CHCO charter provides additional guidance for CHCO council activities, as with the OPM memorandum, such a document will not be binding on future OPM directors or agency heads. Further legislative attention to clarify portions of the CHCO Act would ensure the CHCO position is on par, in terms of elevation, integration, and institutionalization, with the CFO and the CIO positions during subsequent administrations. However, absent legislative changes to the current CHCO Act language, only time will tell the extent to which the CHCO is able to retain the visibility and status enjoyed as a result of the common interests among the present legislative and executive branches in making strategic human capital management a government-wide priority.

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