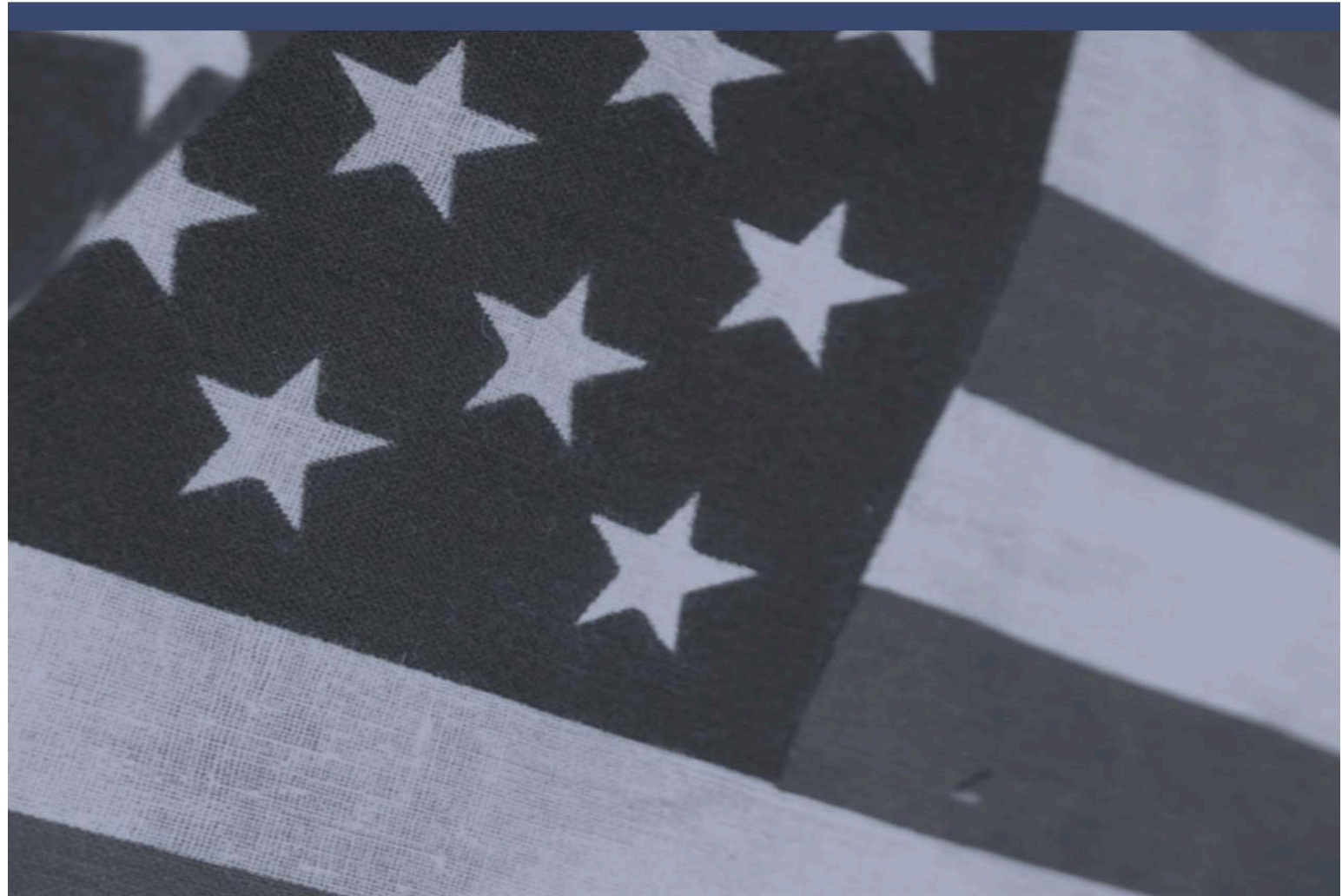


FOREWORD



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FOREWORD**Purpose of the HCAAF Practitioners' Guide**

Trends Impacting the Federal Human Resources Management (HRM) Environment

Emergence of Federal Human Capital Practitioners

Audience for the Guide

"In every program, and in every agency, we are measuring success not by good intentions, or by dollars spent, but rather by results achieved."

President George W. Bush

**PURPOSE OF THE
HCAAF
PRACTITIONERS'
GUIDE**

The current focus of the Government on good management, driven by both the President and Congress, is unprecedented. Greater attention is being paid to efficient and economic delivery of services to the American public. Consequently, Government agencies are transforming their workplaces to focus on (1) performance—performance of the agency as a whole and of individual employees, and (2) measurable, observable agency and individual performance results.

Both the President and Congress recognize the Federal workforce is central to the delivery of services to the American public. People are the key to mission accomplishment. The President and Congress have singled out strategic human capital management (i.e., the selection, development, training, and management of a high quality workforce in compliance with merit system principles) as one of the cornerstone initiatives to improve program performance across the Government.

Consistent with the leadership of the President and Congress, the American people continue to expect more from Government, and the Government is responding. The foundation for significant change in the American Civil Service was the Chief Human Capital Officers (CHCO) Act of 2002 and in new personnel systems for such agencies as the Department of Homeland Security (DHS)—the DHS Human Resources Management System—and the Department of Defense—the National Security Personnel System (NSPS). The Federal Workforce Flexibility Act of 2004 added even

more strategies to support this change. Over time, the principles and performance expectations behind these new systems, still firmly grounded in merit system principles, will expand to the rest of the Civil Service. The underlying expectation for all these changes is strategic human capital management will ensure agency mission requirements drive all human resource activity and all agency staff contribute directly to achieving agency results and are rewarded accordingly.

The Human Capital Assessment and Accountability Framework (HCAAF) Practitioners' Guide is a comprehensive collection of strategies, tools, and methods for agencies to use as they build this new world. The Guide is based on the HCAAF, a road map for human capital transformation issued jointly in 2002 by the Office of Personnel Management (OPM), the Office of Management and Budget (OMB), and the Government Accountability Office (GAO).

The HCAAF Practitioners' Guide is intended to accelerate Governmentwide efforts to support agency mission results with strong human capital strategies. When used as a comprehensive standard for human capital results, human resources (HR) programs, and merit system compliance, the Guide serves as the basis for agency strategic human capital management accountability systems that meet OPM requirements.

The need for strategic human capital management, with its emphasis on achieving results, is part of a continuing evolution of traditional human resources management (HRM) practices in Government. These trends are described in the next few pages.

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TRENDS IMPACTING THE FEDERAL HUMAN RESOURCES MANAGEMENT (HRM) ENVIRONMENT

The start of the 21st century is a pivotal time for the Federal HRM function. Cost pressures, increased attention to customer satisfaction, and emphasis on recruitment, retention, and productivity all serve to heighten awareness and scrutiny of the significant role HRM plays in advancing the mission of Federal agencies.

The implications of these escalating pressures on HRM as a profession have caused a fundamental re-thinking of the ways in which Federal HRM offices do business. This segment presents an overview of the trends driving changes in the Federal HRM environment and the case for strategic human capital management.

There are several trends impacting the Federal HRM environment, the most significant of which include:

- A focus on accountability and results
- Increased competition for talent
- Changing worker values and expectations
- A shift in roles.

These trends and the implications for how human resources (HR) can best meet the current needs of the Federal Government are described over the next several pages.

Trend 1: Focus on Accountability and Results

The American public is demanding all segments of Government demonstrate accountability for specific outcomes. Managers and supervisors are increasingly under pressure to align the work of the organization more closely with mission objectives and to establish the business cases for all expenditures.

Over time, several initiatives have evolved to address the need for accountability and results. Each initiative builds on its predecessor and further delineates the requirements for achieving accountability and results.

As agencies meet Government Performance and Results Act of 1993 (GPRA) requirements, HR offices have assumed a critical advisory role in helping management plan, develop, organize, guide, and evaluate mission-oriented programs. This role involves describing how HR management and development will contribute to achieving strategic goals and objectives.

OPM recognizes agency leaders are responsible for strategic human capital management and is leading the Government's initiative to help agencies be successful in that endeavor.

The Chief Human Capital Officers Act of 2002 (CHCO Act) established CHCOs who advise and assist agency leaders in carrying out their responsibilities to select, develop, train, and manage a high-quality, productive workforce in accordance with merit system principles.

To implement the recently enacted legislative provisions related to executive performance and accountability, OPM published amendments to 5 CFR 430 in July 2004. The amendments require agencies to obtain certification of appraisal systems covering executives. Under certified systems, the performance expectations for executives reflect their responsibility for organizational performance. Subordinate employees' performance expectations must also reflect relevant program performance measures.

OPM, OMB, and GAO have collaborated to develop human capital systems, and OPM has created the Human Capital Assessment and Accountability Framework (HCAAF) to guide agencies toward implementing these systems.



Implications for Strategic Alignment

CHCO Act of 2002: http://frwebgate.access.gpo.gov/cgi-bin/getdoc.cgi?dbname=107_cong_public_laws&docid=f:publ296.107.pdf

The need for increasing accountability and results requires HRM practices and programs be strategically aligned with the organization's mission requirements and:

- Be relevant to the organizational challenges facing line managers
- Use measurement systems to assess how well HRM values, goals, and strategies are helping the organization accomplish its mission
- Be demonstrably effective and efficient as well as compliant.

Trend 2: Increased Competition for Talent

Nationwide, there is a critical shortage of skilled workers in some occupations and geographic areas. Recruiting for highly technical occupations can be difficult. Employees with these high-demand skills can often choose from multiple employment offers and take advantage of their marketability to negotiate for flexibility, telework, and other desirable benefits.

In the face of increased competition for the same talent, the Government will be challenged to become an employer of choice and remain a competitive alternative to attract the skilled and talented workforce it needs to serve the American people. This is particularly true because the Government anticipates a wave of retirements during the next 5 to 10 years. Often those who leave Government service have the most experience and expertise, resulting in a dramatic loss of capacity.

*Implications for
Recruitment and
Retention*

The increased competition for talent means Federal agencies:

- Must continue to rely on workforce planning and forecasting to ensure they have the right people, in the right jobs, with the right skills
- Need to use innovative recruitment and hiring strategies to identify and quickly select the high quality, diverse workforce they need now and will need in the future
- Need to concentrate on succession planning and leadership development programs so a pool of highly qualified replacements is available when experienced leaders leave
- Must be agile in their delivery of “just-in-time” training to meet rapidly changing responsibilities and assignments
- Need to create and sustain knowledge management systems to preserve expertise within organizations
- Must enable experienced members of the Federal workforce to assume new responsibilities and work in new ways as the Government proceeds with the transformation of the Civil Service.

***Trend 3: Changing
Worker Values and
Expectations***

Today, in the majority of American families with two parents and school-aged children, both parents work outside the home. Many American families are headed by single parents, and more than half of all mothers with children under age 3 work. Baby boomers are described as the “sandwich” generation, simultaneously caring for aging parents and dependent children. The youngest members of the workforce often juggle work and school obligations.

As the number of dual wage earners and the number of families with single parents grow, workers’ stress levels go up while their capacity to manage all of their responsibilities goes down. A reality of today’s economy is most Americans constantly need to balance the demands of their work and non-work lives.

Studies of American workers confirm working people increasingly look for employers who offer flexible and family-friendly workplaces. Virtual offices, flextime, family leave, telecommuting, and other innovative work arrangements reflect employers' creative attempts to retain valuable employees who seek to find a balance between work and family life.

In addition, employees are not content just earning a good salary but are also looking for personal satisfaction and meaning in their work. Employees expect to be recognized quickly for the contributions they make on the job. Employees expect to receive opportunities for lifelong learning, which equips them with skills necessary to keep up with rapid change and helps them prepare for the potential of multiple career changes.

*Implications for Flexible
and Positive Workplace
Environment*

To meet these changing values and expectations and become an employer of choice, Federal agencies must:

- Have the flexibility to implement new compensation and benefits concepts tailored to their business environments and strategic workforce requirements
- Offer a broad range of benefits and quality of worklife flexibilities that can be tailored to the unique, and changing, needs of employees
- Strengthen the leadership competencies of their managers in order to effectively motivate and inspire their current employees and a new, increasingly diverse generation of workers.

Trend 4: Shift in Roles

Because the management of human resources is becoming a strategic function, line managers are increasingly held accountable for directly delivering some HRM services. As line managers assume more hands-on responsibility for managing all aspects of the workforce, human capital practitioners' roles will also shift to increasingly complex roles such as business strategic partner, employee champion, and change agent.

Implications for Transformation of HR

The shift in roles requires:

- Agencies prepare to operate an HRM system with fewer rules, tailored agency systems, expanded delegations of authority, and line management accountability for results.
- Line managers be prepared to assume increasing responsibilities and accountability for HRM.
- HR practitioners develop a new set of HRM competencies while also maintaining a strong knowledge of Federal human resources. Doing so will enable them to apply HRM principles to solve organizational problems and support line managers.
- Performance development and performance management systems recognize these management responsibilities, enable managers to develop the skills and knowledge needed, and hold managers responsible and accountable for assuming new responsibilities.

The trends impacting the Federal HRM environment point to the need for the Government to re-envision and clarify the HR role and to articulate its expectations for individuals serving in this role.

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EMERGENCE OF FEDERAL HUMAN CAPITAL PRACTITIONERS

Human resources management has evolved over the years from more traditional models of HRM and personnel to strategically positioned human capital management. This evolution links HR programs and practices to organizational business strategy and mission.

Traditional personnel management services are only one part of an evolutionary chain that includes a shift away from a primary focus on technical skills and transactions to a more strategic focus that aligns human capital and business needs. Practitioners of traditional HR are being asked to expand their services and expertise to support a focus on the strategic management of human capital.

Even what we have traditionally called this profession is transitioning. We have moved from the title "Personnel Management Specialist" to "Human Resources Management Specialist." Now we are beginning to accept the term "Human Capital Practitioner" to reflect the focus on strategic human capital management, a focus that requires a direct line of sight to the agency's strategic goals.

These human capital practitioners are increasingly called upon to understand their clients' mission and business strategy. Instead of applying "one size fits all" HR solutions, human capital practitioners need to select and tailor programs and practices to build the organizational competencies and workplace environment their specific organization's strategy requires to succeed.

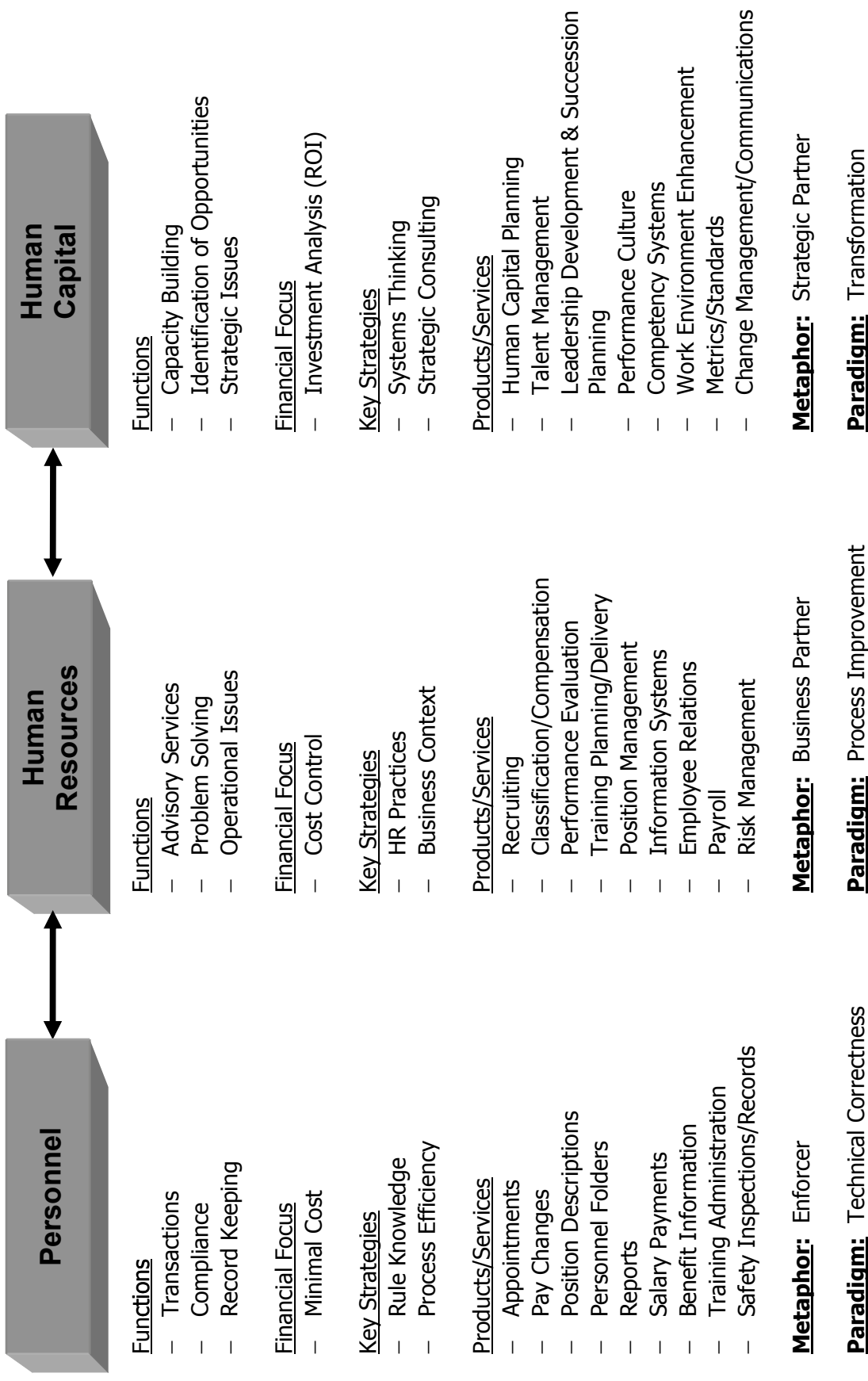
Moreover, the increased delegation of human resources authorities to line managers means human capital practitioners and line managers now share accountability for the success of human capital management and must work more collaboratively to achieve it.

***Evolution of Human
Capital Management***

Figure 1 on the next page depicts this evolutionary progression by illustrating the focus, strategies, and products and services that led to success during each phase.

The human capital phase does not ignore the HR and personnel areas; instead it builds on and expands the focus, strategies, and products and services of those phases to move to strategic human capital management, which is all-encompassing.

Each phase is further represented by a metaphor and the fundamental shift in thinking, or paradigm change, that must occur for human capital practitioners to be successful.

Figure 1. Evolution of Human Capital Management

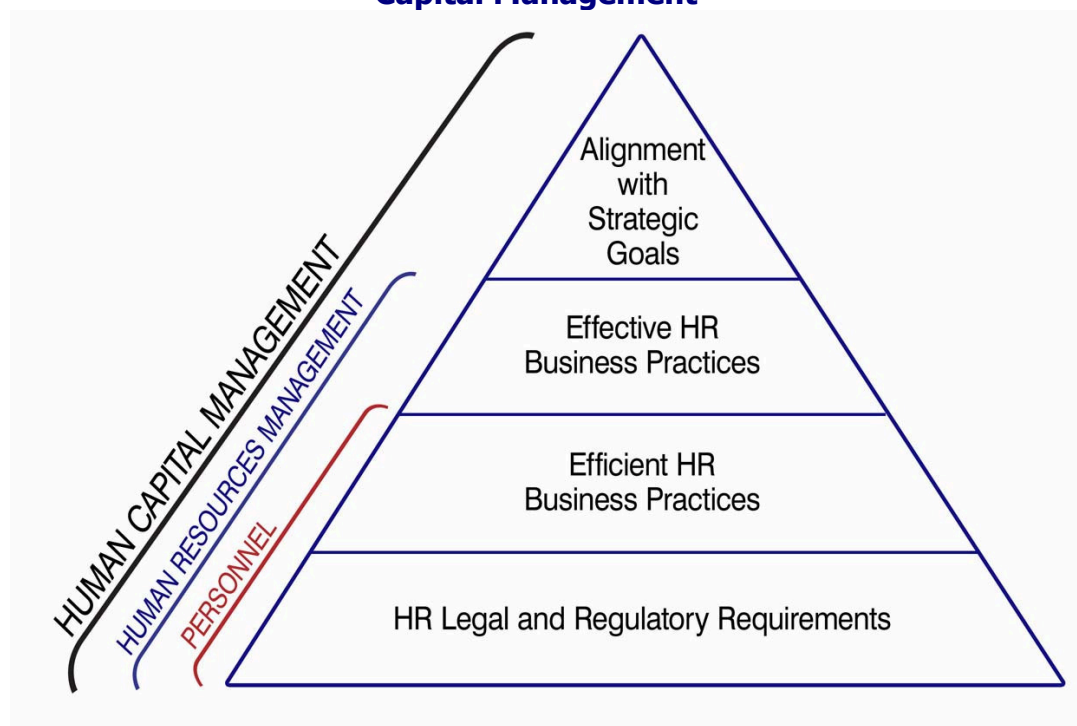
© 2004 Human Technology, Inc.

Model for Cumulative Evolution

Figure 2 below depicts the cumulative nature of the evolution of strategic human capital management—the evolutionary phases build on each other. All phases are important and need to be considered as integrated building blocks to strategically manage human capital. Thus, a human capital system cannot be credible to its management without demonstrating operational efficiency and meeting legal and regulatory requirements.

The challenge today is for HR organizations in Federal agencies to assume a strategic consulting role while maintaining excellence in traditional personnel and human resources services.

Figure 2. Cumulative Nature of Strategic Human Capital Management



Strategic human capital management focuses on results aligned with mission and strategy, not processes. It places the right people in the right jobs at the right time to most effectively perform the work of the organization and has become a focal point of Federal agencies.

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AUDIENCE FOR THE GUIDE

The HCAAF Practitioners' Guide provides information for human capital practitioners and line managers/supervisors and senior leaders throughout the Federal Government to use in strategically managing human capital in compliance with merit system principles. For the purpose of this Guide, human capital practitioners are those persons who help agencies implement and achieve strategic human capital management in compliance with merit system principles.

Human capital practitioners may be internal to the agency (e.g., CHCOs, internal agency consultants, or human resource specialists who contribute directly to human capital programs and policies) or external to the agency (e.g., OPM Human Capital Officers (HCOs), auditors).

HCOs and auditors may use this Guide to assess agencies' progress against standards and provide guidance to assist agencies with improvement efforts.

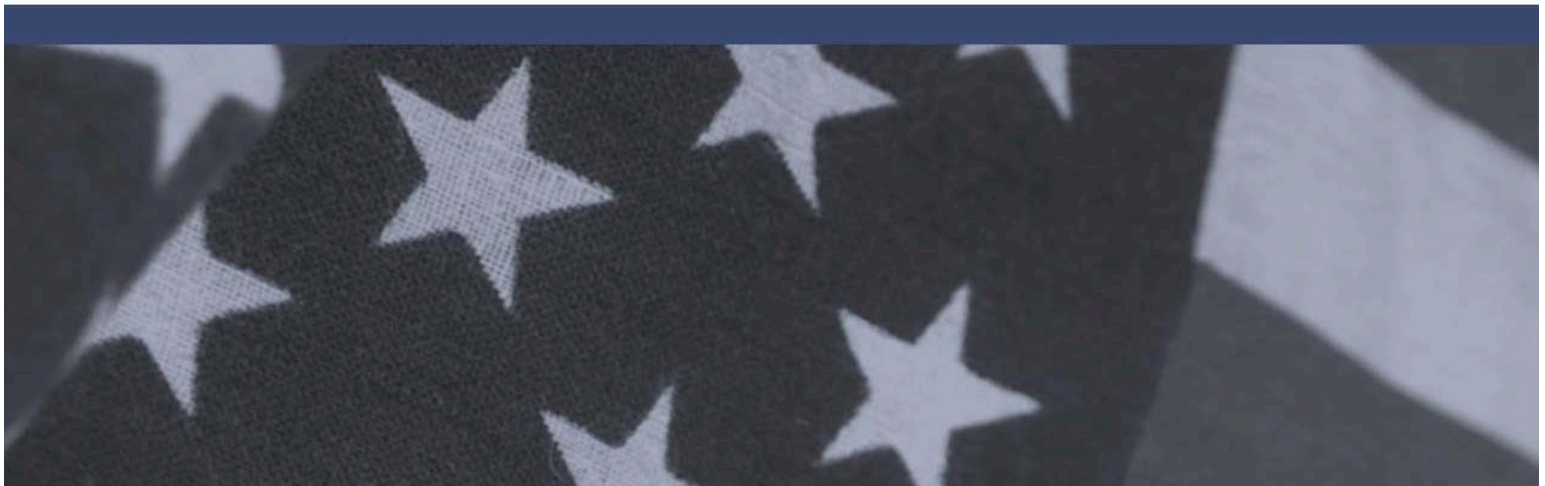
Agencies may use this Guide for self-assessment to identify aspects for improvement and/or alternative methods of achieving successful human capital management.

Line managers/supervisors and senior leaders may use the information as a training resource to improve ability to effectively manage human capital.

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SECTION I

Introduction to the HCAAF Practitioners' Guide



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ORGANIZATION OF THE HCAAF PRACTITIONERS' GUIDE

The HCAAF Practitioners' Guide presents specific guidance on the systems defined in the Human Capital Assessment and Accountability Framework (HCAAF) with linkages to merit system compliance. The guidance complies with merit system principles, veterans' preference rules, and other civil service laws, rules, and regulations, including those relating to prohibited personnel practices.

Sections II through VI

These sections provide information about each of the following five human capital systems and their expected results as well as linkages to merit system compliance, where appropriate:

- Strategic Alignment
- Leadership and Knowledge Management
- Results-Oriented Performance Culture
- Talent Management
- Accountability.

These five systems, though distinct, are necessarily interrelated to serve a common purpose of producing a world class workforce which:

- Is effective in achieving agency mission results
- Delivers the highest quality products and services
- Quickly adapts to changing environments.

Glossary

A glossary of key terms is included following Section VI.

Appendix A: Tools

Appendix A contains tools that support each system. The tools fall into three broad categories:

- Summaries of critical content
- Overview of key Web resources and/or tools
- Models.



Refer to the Table of Contents for page numbers for each section.

Online Version of Guide

This Practitioners' Guide may also be accessed online via the OPM Web site (<http://www.opm.gov>).

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HUMAN CAPITAL ASSESSMENT AND ACCOUNTABILITY FRAMEWORK (HCAAF)

The HCAAF establishes and defines five human capital systems that together provide a single, consistent definition of human capital management for the Federal Government. The HCAAF fuses human capital management to the merit system principles—a cornerstone of the American Civil Service—and other civil service laws, rules, and regulations. Establishment of the HCAAF fulfills OPM's mandate under the Chief Human Capital Officers Act of 2002 (CHCO Act) to design systems and set standards, including appropriate metrics, for assessing the management of human capital by Federal agencies.

The regulation at 5 CFR 250.203 establishes requirements for an agency to submit to OPM annually a Strategic Human Capital Plan and an Agency Human Capital Accountability Report. The requirements in the regulation are by design congruent with the planning and reporting requirements contained in OMB Circular A-11 and title 31 U.S.C.

Five Systems of HCAAF

The HCAAF outlines an ongoing process of human capital management in every Federal agency—planning and goal setting, implementation, and evaluating results—in five systems:

- **Strategic Alignment (Planning and Goal Setting).** A system led by senior management—typically the Chief Human Capital Officer (CHCO)—that promotes the alignment of human capital management strategies with agency mission, goals, and objectives through analysis, planning, investment, measurement, and management of human capital programs.
- **Leadership and Knowledge Management (Implementation).** A system that ensures continuity of leadership by identifying and addressing potential gaps in effective leadership and implements and maintains programs that capture organizational knowledge and

promote learning.

- **Results-Oriented Performance Culture (Implementation).** A system that promotes a diverse, high-performing workforce by implementing and maintaining effective performance management systems and awards programs.
- **Talent Management (Implementation).** A system that addresses competency gaps, particularly in mission-critical occupations, by implementing and maintaining programs to attract, acquire, develop, promote, and retain quality talent.
- **Accountability (Evaluating Results).** A system that contributes to agency performance by monitoring and evaluating the results of its human capital management policies, programs, and activities; by analyzing compliance with merit system principles; and by identifying and monitoring necessary improvements.

Each system consists of components that allow human capital practitioners to assess how well the system is strategically managing its human capital in compliance with merit system principles.



HCAAF Web site:

<http://apps.opm.gov/HumanCapital/tool/index.cfm>

Strategic Management of Human Capital Web site:

[http://www.opm.gov/Strategic Management of Human Capital/index.asp](http://www.opm.gov/Strategic%20Management%20of%20Human%20Capital/index.asp)

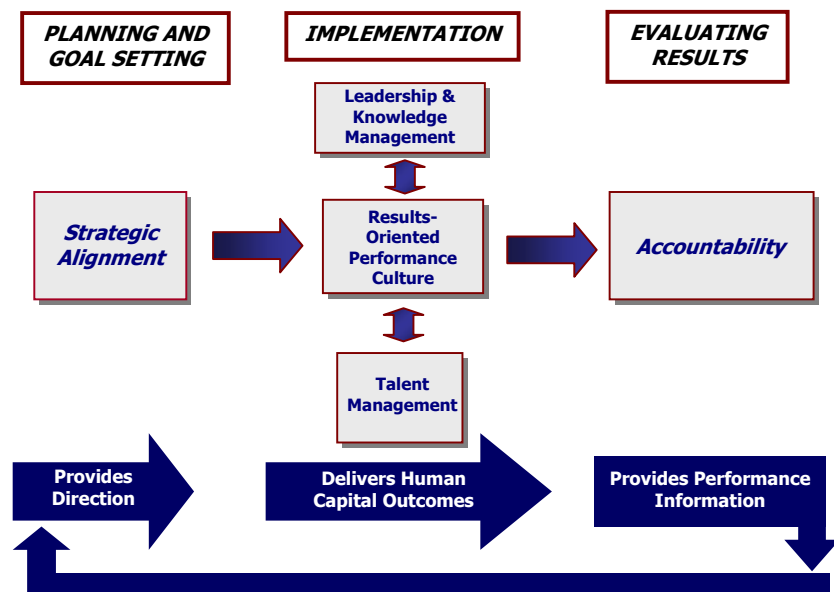
Human Capital Management FAQs:

<http://apps.opm.gov/HumanCapital/faq/index.cfm>

Relationships Among the HCAAF Systems

Figure 1 below shows the relationships among the human capital systems.

Figure 1. Relationships Among the Human Capital Systems



Implementation of the HCAAF will enable agencies to transform the Federal workplace into high-performing arenas where every employee is enabled to understand and maximize his or her contribution to agency mission. Through implementation of the HCAAF, Federal agencies will be able to focus on:

- Human capital management systems and practices that most impact attainment of their mission
- Measurable, observable agency and individual performance results.

This will help to assure the American people's continuing trust in their Government's ability to serve them and protect our national security.

HCAAF Taxonomy

The following components reflect the overall taxonomy of the HCAAF and explain how the information is organized in the HCAAF Practitioners' Guide.

Component	Explanation
Standard	A standard describes the critical human capital management outcomes for agencies to strive toward in each of the five HCAAF systems.
Metrics	These are measurements that provide a basis for comparison. Strategic human capital management requires a reliable and valid set of metrics that provides an accurate baseline against which individual agency progress can be assessed. Required outcome metrics are provided for the three systems that implement strategic human capital plans and programs: Leadership and Knowledge Management, Results-Oriented Performance Culture, and Talent Management. These required metrics are summarized on the following pages. Additional suggested metrics are also included.
Critical Success Factors	Each system is based on critical success factors that make up the overall system. Critical success factors are the areas on which agencies and human capital practitioners should focus to achieve a system's standard and operate efficiently, effectively, and in compliance with merit system principles. For example, Change Management and Diversity Management are two critical success factors associated with the Leadership and Knowledge Management system.
Results	The results describe the desired effects when key elements of a critical success factor are effectively implemented. Results are presented in two categories: effectiveness results and compliance results. Compliance results refer to specific statutory or regulatory requirements.
Key Elements	Each critical success factor contains several key elements that are similar to the Elements of Yes initially developed as part of the HCAAF. Key elements describe what you would expect to see in an effective critical success factor.
Suggested Performance Indicators	The suggested indicators—both effectiveness indicators and compliance indicators—describe examples of visible evidence of the existence of key elements and compliance with merit system principles. Cumulatively, the indicators identify how well the agency is doing relative to key elements. The suggested performance indicators are linked to the key elements and are not meant to be an all-inclusive list. Human capital practitioners may need to search for other indicators if agency approaches differ from the list of suggested performance indicators provided. Agencies may decide which suggested performance indicators provide the best evidence they have implemented practices that lead toward achieving the standard.

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METRICS

Metrics have been established to help agencies accomplish the standard for the three systems that implement strategic human capital plans and programs—i.e., Leadership and Knowledge Management, Results-Oriented Performance Culture, and Talent Management. These three systems have both required and suggested metrics.

- Required metrics focus on human capital management outcomes and are required for Governmentwide reporting. They focus on human capital management outcomes from three perspectives: organization, employee, and merit system compliance.
- Suggested metrics focus on human capital management activities that support outcome metrics and show the health of a specific HCAAF critical success factor.

The metrics were developed based on extensive research from a variety of expert sources. To be incorporated in the HCAAF, a metric needed to meet the following criteria:

- Align with the HCAAF
- Drive organizational effectiveness directly or indirectly
- Be applicable Governmentwide
- Be actionable (under the control of the agency)
- Be practical (cost effective and acceptable)
- Be reliable (stable)
- Be valid (accurate and appropriate for its purpose).

The metrics described in this Guide were carefully chosen to maintain their usefulness over time. However, many additional human capital metrics exist that agencies may find they want to implement. Agencies are encouraged to augment these Governmentwide metrics with other activity and outcome metrics relevant to the agencies' human capital objectives.

Section I: Introduction to the HCAAF Practitioners' Guide

The following pages provide the system standard and the required outcome metrics for the Leadership and Knowledge Management, Results-Oriented Performance Culture, and Talent Management systems. Refer to each specific system's section for the suggested metrics.

**Leadership and
Knowledge
Management System
Standard**

Agency leaders and managers effectively manage people, ensure continuity of leadership, and sustain a learning environment that drives continuous improvement in performance, and provide a means to share critical knowledge across the organization. Knowledge management must be supported by an appropriate investment in training and technology.

Required Outcome Metric	Description	Purpose
Organization Metric: Competency Gaps Closed for Management and Leadership	Difference between competencies needed and competencies possessed by managers and leaders	To determine how the agency should target its recruitment and retention, and development efforts to bring the competencies of its managers and leaders into alignment with the agency's current and future needs
Employee Perspective Metric: Questions from Annual Employee Survey about Satisfaction with Leadership	Items from Annual Employee Survey	To determine the extent to which employees hold their leadership in high regard, both overall and on specific facets of leadership
Merit System Compliance Metric: Merit-Based Execution of the Leadership and Knowledge Management System	An assessment of compliance with merit system principles and related laws, rules, and regulations governing the Leadership and Knowledge Management system	To determine decisions, policies, processes, and practices executed under the Leadership and Knowledge Management system comply with the merit system principles and related laws, rules, and regulations

***Results-Oriented
Performance Culture
System Standard***

The agency has a diverse, results-oriented, high-performing workforce and a performance management system that differentiates between high and low levels of performance and links individual/team/unit performance to organizational goals and desired results effectively.

Required Outcome Metric	Description	Purpose
Organization Metric: SES Performance/Organizational Performance Relationship as Linked to Mission	Relationship between SES performance ratings and accomplishment of the agency's strategic goals	To determine the extent to which SES appraisals and awards are appropriately based on achievement of organizational results
Organization Metric: Workforce Performance Appraisals Aligned to Mission, Goals, and Outcomes	Degree of linkage between employees' performance appraisal plans and agency mission, goals, and outcomes	To determine whether all employees have performance appraisal plans that effectively link to the agency's mission, goals, and outcomes
Employee Perspective Metric: Questions from Annual Employee Survey about Performance Culture	Items from Annual Employee Survey	To determine the extent to which employees believe their organizational culture promotes an improvement in processes, products and services, and organizational outcomes
Merit System Compliance Metric: Merit-Based Execution of the Performance Culture System	An assessment of compliance with merit system principles and related laws, rules, and regulations governing the Performance Culture system	To determine decisions, policies, processes, and practices executed under the Performance Culture system comply with the merit system principles and related laws, rules, and regulations

Talent Management System Standard

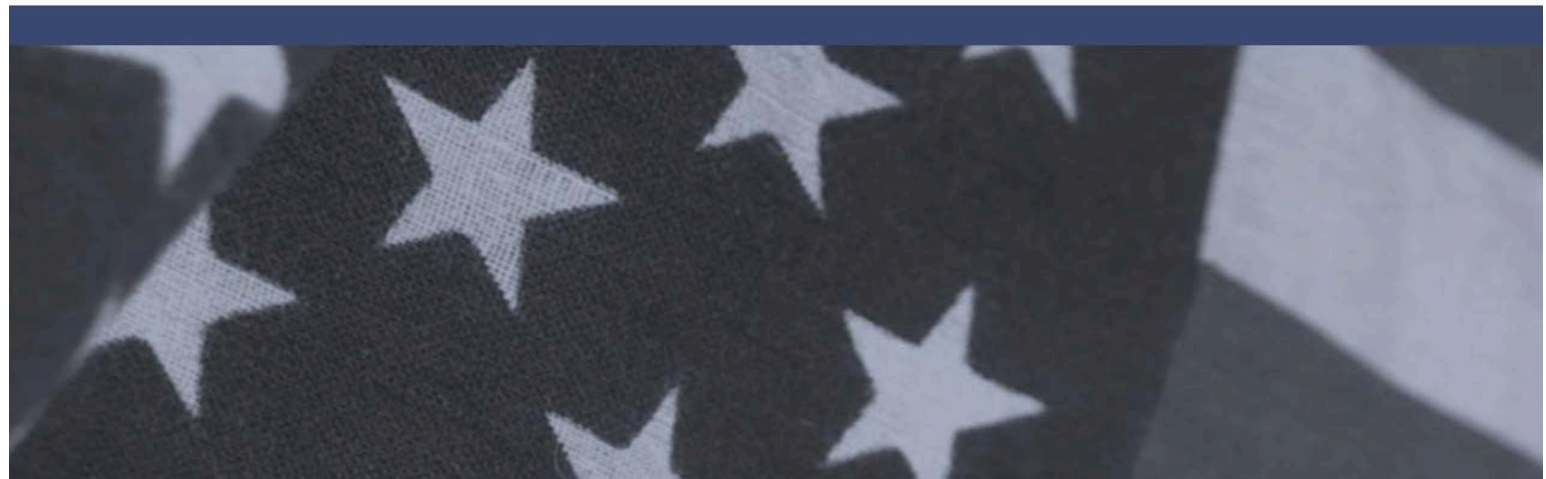
The agency has closed skills, knowledge, and competency gaps/deficiencies in mission-critical occupations, and has made meaningful progress toward closing skills, knowledge, and competency gaps/deficiencies in all occupations used in the agency.

Required Outcome Metric	Description	Purpose
Organization Metric: Competency Gaps Closed for Mission-Critical Occupations	Difference between competencies needed and competencies possessed by employees in mission-critical occupations	To determine how the agency should target its recruitment, retention, and development efforts to bring the competencies of its workforce into alignment with the agency's current and future needs
Employee Perspective Metric: Questions from Annual Employee Survey about Organizational Capacity	Items from Annual Employee Survey	To determine the extent to which employees think the organization has talent necessary to achieve organizational goals
Employee Perspective Metric: Questions from Annual Employee Survey about Employee Satisfaction	Items from Annual Employee Survey	To determine the extent to which employees are satisfied with their jobs and various aspects thereof
Merit System Compliance Metric: Merit-Based Execution of the Talent Management System	An assessment of compliance with merit system principles and related laws, rules, and regulations governing the Talent Management system	To determine decisions, policies, processes, and practices executed under the Talent Management system comply with the merit system principles and related laws, rules, and regulations

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SECTION II

Strategic Alignment System



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SECTION II Strategic Alignment System	The Strategic Alignment System
	Human Capital Planning
	Workforce Planning
	Human Capital Best Practices and Knowledge Sharing
	Human Resources as Strategic Partner

THE STRATEGIC ALIGNMENT SYSTEM

This section contains information specific to the Strategic Alignment system, which focuses on having a human capital management strategy aligned with mission, goals, and organizational objectives.

“Human Capital Issues rank high among CEOs’ key challenges, in fact, five of their top seven priorities relate to human capital in general and to leadership in particular.”

Accenture: The High Performance Workplace Study 2002/2003

Definition

A system led by senior management—typically the Chief Human Capital Officer (CHCO)—that promotes alignment of human capital management strategies with agency mission, goals, and objectives through analysis, planning, investment, measurement, and management of human capital programs.

Standard

Agency human capital management strategies are aligned with mission, goals, and organizational objectives and integrated into its strategic plans, performance plans, and budgets.

Critical Success Factors

The Strategic Alignment system is comprised of the following critical success factors:

- *Human Capital Planning:* The agency designs a coherent framework of human capital policies, programs, and practices to achieve human capital requirements to directly support the agency's strategic plan.
- *Workforce Planning:* The organization identifies the human capital required to meet organizational goals, conducts analyses to identify competency gaps, develops strategies to address human capital needs and close competency gaps, and ensures the organization is appropriately structured.
- *Human Capital Best Practices and Knowledge Sharing:* To leverage its efforts, the agency works with others to share best practices and learn about new developments.
- *Human Resources as Strategic Partner:* Human resources (HR) professionals act as consultants with managers to develop, implement, and assess human capital policies and practices to achieve the organization's shared vision. Senior leaders, managers, HR professionals, and key stakeholders contribute to the human capital vision and the agency's broader strategic planning process.

Applicable Merit System Principles

The following merit system principle is especially relevant to the Strategic Alignment system:

- The Federal work force should be used efficiently and effectively. (5 U.S.C. 2301(b)(5))

Metrics

Activities and outcomes of this system are assessed through documented evidence of a Strategic Human Capital Plan that includes human capital goals, objectives, and strategies; a workforce plan; and performance measures and milestones.

Agencies are required under OPM regulations implementing the CHCO Act to submit the Strategic Human Capital Plan described by this system to OPM on an annual basis.

SECTION II Strategic Alignment System	The Strategic Alignment System
	Human Capital Planning
	Workforce Planning
	Human Capital Best Practices and Knowledge Sharing
	Human Resources as Strategic Partner

RESULTS: HUMAN CAPITAL PLANNING

When the key elements of the critical success factor Human Capital Planning are effectively implemented, agencies will realize the following results:

Effectiveness Results

- The agency's strategic plan establishes an agency-wide vision that guides human capital planning and investment activities.
- The agency has a system in place to continually assess and improve human capital planning and investment and their impact on mission accomplishments.
- Managers are held accountable for effective implementation of human capital plans and overall human capital management.

Compliance Result

- In accordance with the Chief Human Capital Officers Act of 2002 (CHCO Act), the agency CHCO carries out the functions authorized in 5 U.S.C. 1402, including aligning the agency's human resources policies and programs with organizational mission, strategic goals, and performance outcomes.

The following pages provide key elements and suggested performance indicators for this critical success factor.

RELATED TOOLS

The following tools support Human Capital Planning. Refer to Appendix A for tools.

Tool	Appendix A Page Number
Key Components of a Strategic Human Capital Plan	7
Promoting a Participatory Approach in Human Capital Planning	13

HUMAN CAPITAL PLANNING	
KEY ELEMENTS	SUGGESTED PERFORMANCE INDICATORS
<i>The agency has a human capital planning system that:</i>	
<ul style="list-style-type: none"> Promotes alignment of human capital strategies with agency mission, goals, and objectives through analysis, planning, investment, and management of human capital programs 	<p><u>Effectiveness Indicators</u></p> <ul style="list-style-type: none"> Key stakeholders, including HR, participate in the development and revision of the agency's strategic plan and facilitate workforce planning and analysis efforts. Documents substantiate involvement of key human capital leaders and key stakeholders in the planning process (e.g., team members of review boards, working groups, or executive off-sites). Human capital planning is managed by a human capital review team or similar collaborative body comprised of the CHCO and senior leaders and managers from human resources, information technology, finance, and mission-specific program areas. <p><u>Compliance Indicator</u></p> <ul style="list-style-type: none"> As provided by 5 U.S.C. 1103(c), the agency holds managers and human resources officers accountable for efficient and effective human resources management in support of the agency's mission in accordance with merit system principles.
<ul style="list-style-type: none"> Establishes a process for including human capital activities and investments in the agency annual performance plan and budget 	<p><u>Effectiveness Indicators</u></p> <ul style="list-style-type: none"> The agency's annual performance plan and budget request include human capital activities and investments. The annual plan identifies resources required to implement human capital strategies (e.g., retention bonuses, "buyouts," awards, training, student loan repayments, tuition assistance, Voluntary Early Retirement Authority (VERA)). Funding requirements are prioritized in case not all human capital strategies can be funded.

HUMAN CAPITAL PLANNING	
KEY ELEMENTS	SUGGESTED PERFORMANCE INDICATORS
<i>The agency has a human capital planning system that:</i>	
	<p><u>Compliance Indicators</u></p> <ul style="list-style-type: none"> • The agency has a standard for integrating its human resources strategies into the budget as stated in 31 U.S.C. 1115, as added by the CHCO Act of 2002. • As prescribed in the CHCO Act (31 U.S.C. 1115), the agency's performance plan provides a description of how the performance goals and objectives are to be achieved, including: <ul style="list-style-type: none"> – The operational processes, training, skills and technology, and the human capital information and other resources – The strategies required to meet the performance goals and objectives. <p>[Note: In addition to amending and adding to title 5, the CHCO Act amends provisions of the Government Performance and Results Act of 1993 (GPRA), which requires agencies to prepare annual performance plans.]</p>
<ul style="list-style-type: none"> • Results in the development of an annual human capital plan establishing human capital goals, objectives, and investments that link to the agency strategic plan and support mission accomplishment 	<p><u>Effectiveness Indicators</u></p> <ul style="list-style-type: none"> • The agency's planning process links the human capital framework to the mission, function, and strategic management of the agency, as well as to other management initiatives such as e-Government and competitive sourcing. • The agency has designed human capital performance improvement strategies that support mission accomplishment. • The agency has approved and communicated human capital planning documents that describe human capital goals, objectives, investments, and strategies linked to the agency strategic plan.

HUMAN CAPITAL PLANNING	
KEY ELEMENTS	SUGGESTED PERFORMANCE INDICATORS
<i>The agency has a human capital planning system that:</i>	
	<p><u>Compliance Indicators</u></p> <ul style="list-style-type: none"> • The agency includes human capital strategic planning in agency performance plans and performance reports as stated in 31 U.S.C. 1115, as amended by the CHCO Act. • As prescribed in the CHCO Act (31 U.S.C. 1115), the agency's program performance report includes a review of the performance goals and evaluation of the agency's performance plan relative to the agency's strategic human capital plan.
<ul style="list-style-type: none"> • Provides for a formal agency-wide evaluation of the strategies in the human capital plan and its implementation. 	<p><u>Effectiveness Indicators</u></p> <ul style="list-style-type: none"> • The strategic human capital plan sets human capital progress milestones and identifies those responsible for meeting them. • The agency's annual performance review tracks and measures human capital activities and investments. • The agency defines successful achievement of the mission in terms of quantified long- and short-term human capital performance goals. • The agency has a documented change management/implementation process that identifies necessary human capital practices to facilitate change. • Where appropriate, individual performance plans and evaluations address accountability for successful implementation of human capital strategies. • Human capital partnering is considered in senior leaders' and managers' annual performance reviews.

HUMAN CAPITAL PLANNING	
KEY ELEMENTS	SUGGESTED PERFORMANCE INDICATORS
<i>The agency has a human capital planning system that:</i>	
	<p><u>Compliance Indicators</u></p> <ul style="list-style-type: none"> • In accordance with the Executive Performance and Accountability Interim Rule (5 CFR 430 and 1330), senior employee performance ratings appropriately and clearly link to organizational mission, GPRA strategic goals, or other program objectives. • Agency managers plan and communicate performance elements and standards linked with strategic planning initiatives in accordance with the Executive Performance and Accountability Interim Rule (5 CFR 430 and 1330).

SECTION II Strategic Alignment System	The Strategic Alignment System
	Human Capital Planning
	Workforce Planning
	Human Capital Best Practices and Knowledge Sharing
	Human Resources as Strategic Partner

RESULTS: WORKFORCE PLANNING

When the key elements of the critical success factor Workforce Planning are effectively implemented, agencies will realize the following results:

Effectiveness Results

- The agency approaches workforce planning strategically and in an explicit, documented manner. The workforce plan links directly to the agency's strategic and annual performance plans and is used to make decisions about structuring and deploying the workforce.
- Mission-critical occupations and competencies are identified and documented, providing a baseline of information for the agency to develop strategies to recruit, develop, and retain talent needed for program performance.
- The agency's documented workforce plan identifies current and future workforce competencies and the agency is closing identified competency gaps through implementation of gap reduction strategies such as:
 - Restructuring
 - Recruitment
 - Competitive sourcing
 - Redeployment
 - Retraining
 - Retention (e.g., compensation, quality of work life)
 - Technology solutions.

- A business forecasting process is implemented that identifies probable workforce changes, enabling agency leadership to anticipate changes to human capital that require action to ensure program performance.
- Based on functional analyses, the agency is appropriately structured to allow the right mix and distribution of the workforce to best support the agency mission.
- Based on analysis of customer needs and workload distribution, the agency has the right balance of supervisory and non-supervisory positions to support the agency mission.

Compliance Result

- The CHCO assesses workforce characteristics and future needs based on the agency's mission and strategic plan in accordance with the CHCO Act of 2002 (5 U.S.C. 1402).

The following pages provide key elements and suggested performance indicators for this critical success factor.

RELATED TOOLS

The following tools support Workforce Planning. Refer to Appendix A for the tools.

Tool	Appendix A Page Number
Enterprise Human Resources	15
OPM's Workforce Planning Model	19

WORKFORCE PLANNING	
KEY ELEMENTS	SUGGESTED PERFORMANCE INDICATORS
<i>The agency's workforce planning system includes a workforce analysis process that:</i>	
<ul style="list-style-type: none"> Identifies mission-critical occupations and competencies essential to achieving strategic goals Analyzes current strengths and weaknesses regarding mission-critical occupations and competencies Identifies competency gaps and deficiencies, including current and future competency needs and losses due to voluntary attrition Systematically defines the size of the workforce needed to meet organizational goals Uses workforce planning reports and studies in conjunction with the best practice benchmarks to determine the most effective work levels, workloads, and resources for efficient functioning Bases decisions related to restructuring, redeployment, and reorganization on current empirical and workforce analysis Conducts risk assessments to minimize adverse impacts on workforce due to restructuring Documents and assesses key supporting functions of all business areas Regularly evaluates customer/citizen needs and incorporates these needs into workforce plans, organizational goals, and functions 	<p><u>Effectiveness Indicators</u></p> <ul style="list-style-type: none"> Studies indicate which occupations and competencies are essential to achieving the agency's strategic goals. Mission-critical occupations and competencies are identified in the agency's strategic plan and/or performance plan, and its strategic human capital plan. A methodology exists for determining mission-critical occupations and competencies based in part on professional qualifications (e.g., certifications, licenses). Trends in mission-critical occupations are analyzed in terms of the following suggested factors in order to continually adjust the agency's recruitment and retention strategy to its current state of need: <ul style="list-style-type: none"> Number and distribution of positions by pay plan/grade or pay band/series and geographic location Average age Average length of service Diversity trends Average grade/band Retirement eligibility (current and expected) Turnover (e.g., separations, resignations, transfers, retirements) Surpluses in occupations and competencies.

WORKFORCE PLANNING	
KEY ELEMENTS	SUGGESTED PERFORMANCE INDICATORS
<i>The agency's workforce planning system includes a workforce analysis process that:</i>	
	<ul style="list-style-type: none"> • Competency and/or staffing models have been developed and there is analysis of gaps between the current and desired competencies for mission-critical occupations. • Documentation indicates workforce analysis occurs on a periodic basis and is used to drive human capital policy and decisions. • The agency uses a documented, systematic strategic workforce planning process that addresses the following issues: <ul style="list-style-type: none"> – The link to the agency's strategic plan and the strategic human capital plan – The link to the agency's annual performance/business plan – Work activities required to carry out the goals and objectives of the strategic plan (long term) and performance plan (short term) – How to structure the organization (e.g., determine what must be done for continuance of Government operations, determine necessary layers, streamline functions, consolidate organizational elements) and its work processes/ workflow to carry out work activities – How to continually update the process to reflect mission changes, technology advances (e.g., e-Government), funding levels, competitive sourcing, and other change drivers – Analysis and assessment of the current workforce (e.g., skills, demographics, attrition) to meet long-term and short-term goals and objectives

WORKFORCE PLANNING	
KEY ELEMENTS	SUGGESTED PERFORMANCE INDICATORS
<i>The agency's workforce planning system includes a workforce analysis process that:</i>	
	<ul style="list-style-type: none"> – Workforce analysis including indicators such as size and distribution of workforce (including Senior Executive Service (SES)) by grade, series, geographic locations, types of positions occupied, pay plan, veteran representation, etc. – How to develop current employees, recruit to fill long-term and short-term goals, and provide for continuity of leadership through succession to key positions – How to minimize the adverse impact on the workforce in restructuring the organization and its work processes. • The agency uses multi-faceted techniques to close competency gaps within the organization (e.g., strategic recruitment, mid-career hiring, training). • The agency conducts regular assessment of its need for, and deployment of, executive resources.

WORKFORCE PLANNING	
KEY ELEMENTS	SUGGESTED PERFORMANCE INDICATORS
<i>The agency's workforce planning system includes a workforce analysis process that:</i>	
<ul style="list-style-type: none"> • Forecasts future business changes in the work of the agency and how the changes will affect the workforce • Regularly tracks established performance measures, workforce trends, and technological advances to ensure updated models for meeting citizen and organization needs. 	<p><u>Effectiveness Indicators</u></p> <ul style="list-style-type: none"> • Line managers and key staff, including HR, consider and prepare for possible workforce changes in areas such as mission/goals, technology, program additions or deletions, functions, and outsourcing initiatives. • The agency's strategic plan and/or performance plan and its strategic human capital plan reflect forecasts of the human capital implications of future business plans, including expectations and trends concerning: <ul style="list-style-type: none"> – Future workload and staffing needs – Workforce demographics in mission-critical occupations – Changing competency requirements – Industry benchmarking for similar occupations – Availability of competencies within applicable labor markets. • The forecast is shared widely and used within the agency by those who are responsible and accountable to meet human capital needs.

WORKFORCE PLANNING	
KEY ELEMENTS	SUGGESTED PERFORMANCE INDICATORS
<i>The agency's workforce analysis process is based on sources of information such as:</i>	
<ul style="list-style-type: none"> • Current workforce demographic and competitive sourcing studies • Descriptive and documented plans and processes for hiring, recruiting, employment, and retention efforts • Past agency assessments and workforce data • Information about anticipated changes related to e-Government and competitive sourcing, goals, and objectives. 	<p><u>Effectiveness Indicators</u></p> <ul style="list-style-type: none"> • Information systems are in operation which provide human capital data to all appropriate management levels to guide planning, analysis, and decision making. Data integrity is maintained through quality control checks. • The agency conducts and uses management studies to: <ul style="list-style-type: none"> – Eliminate work and interfaces that add no value – Assess the organization's deployment strategies, including identification of situations where competitive sourcing is the most appropriate means to meet their strategic objectives. • Staffing data showing trends in appointments, promotions, conversions, separations, and retirements are analyzed regularly, and management decisions regarding workforce deployment are based on documented data. • Turnover indicators (e.g., transfers, retirements, and separations in each of the last several years, overall, and by professional, administrative, technical, clerical, and other occupations) are monitored regularly.

WORKFORCE PLANNING	
KEY ELEMENTS	SUGGESTED PERFORMANCE INDICATORS
<i>The agency's workforce planning system includes an organizational structuring process that:</i>	
<ul style="list-style-type: none"> • Utilizes functional analysis to determine appropriate organizational and physical structure • Clearly organizes the agency staffing plan by workflow, organizational initiative, and functional area • Anticipates change in citizen needs by continuously monitoring the evolution of needs, trends, and events affecting workforce planning • Avoids excess organizational layers • Reduces redundant operations • Analyzes internal workforce statistics (e.g., ratio of managers to workforce, distribution of workforce), data, and trends to make the most efficient choices for workforce deployment. 	<p><u>Effectiveness Indicators</u></p> <ul style="list-style-type: none"> • Documentation of analyses of organizational functions shows review, planning, design, and, if applicable, implementation and outcome of efforts to realign the workforce. • Functional analyses and data analyses result in specific targets for workforce redeployment, which are reflected in the strategic human capital plan and the workforce plan. • The benefits of proposed changes to the structure and/or the workforce mix are quantified and incorporated into the budget submissions. • Duplications in support areas such as communications, legislative affairs, budget, and personnel and/or duplications in program areas are reduced and programs are streamlined and consolidated wherever possible. • Analysis of data includes statistics such as ratio of administrative jobs (e.g., administrative officer, budget analyst, budget clerk, management analyst, personnel clerk, personnel professional, support services specialist) to the workforce, distribution of administrative jobs by organizational component and geographic location, and trends in numbers and proportions of administrative jobs.

WORKFORCE PLANNING	
KEY ELEMENTS	SUGGESTED PERFORMANCE INDICATORS
<i>The agency's workforce planning system includes an organizational structuring process that:</i>	
	<ul style="list-style-type: none"> • A model organization has been developed that: <ul style="list-style-type: none"> – Reflects the numbers of employees needed and their appropriate skill and grade or pay band/level mix – Identifies key leadership positions – Includes specific recruiting and training/development activities. <p><u>Compliance Indicator</u></p> <ul style="list-style-type: none"> • The agency appropriately applies pertinent regulations and statutes to group or individual deployment-related actions as specified in the Talent Management system (Voluntary Early Retirement Authority (VERA), Voluntary Separation Incentive Payments (VSIP), Transfer of Function (TOF), etc.).

WORKFORCE PLANNING	
KEY ELEMENTS	SUGGESTED PERFORMANCE INDICATORS
<i>The agency's organizational structuring process demonstrates that it:</i>	
<ul style="list-style-type: none"> Includes statistics regarding number of supervisors, their series and grade/pay band, geographic location, and ratio of supervisors to employees Obtains the mix of supervisory and non-supervisory positions to best meet customer needs Documents the need for redirecting supervisory positions and the planned program design and assessment for the implemented changes Addresses impediments to restructuring by analyzing solutions found within the current environment Uses a documented change management strategy. 	<p><u>Effectiveness Indicators</u></p> <ul style="list-style-type: none"> Analysis of data includes statistics related to the number of supervisors, their geographic and organizational location, their series and grades/pay bands, the ratio of supervisors to employees, percent of supervisors in grades GS-12-15 or equivalent, etc. Supervisory needs are clearly tied to the workflow process and the organizational structure resulting in a staffing plan that indicates the necessary number of supervisors by functional area. The agency has documented the need to redirect supervisory positions, designed and implemented a program to support their redeployment, and developed an evaluation process to determine if the anticipated outcomes are being achieved. Impediments are identified and solutions to overcome impediments within the current environment (e.g., title 5 and/or other appropriate systems) are identified and documented. Through consultation with the Office of Personnel Management (OPM), the agency makes a sound business case for any waivers, exemptions, or regulatory or legislative relief needed to overcome barriers. The agency has a documented change management strategy, where appropriate, to overcome barriers and facilitate restructuring/culture change efforts. The agency's restructuring, redeployment, and reorganization decisions are substantiated with empirical evidence.

WORKFORCE PLANNING	
KEY ELEMENTS	SUGGESTED PERFORMANCE INDICATORS
<i>The agency's organizational structuring process demonstrates that it:</i>	
	<ul style="list-style-type: none"> • Agency records indicate that, during restructuring, redeployment, and reorganizing, operational disruption is minimized through the use of: <ul style="list-style-type: none"> – Effective internal and external communication plans – Retraining – Reassignment – Placement assistance – Relocation allowances – VERA and VSIP where appropriate.

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SECTION II Strategic Alignment System	The Strategic Alignment System
	Human Capital Planning
	Workforce Planning
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	Human Resources as Strategic Partner

RESULTS: HUMAN CAPITAL BEST PRACTICES AND KNOWLEDGE SHARING

When the key elements of the critical success factor Human Capital Best Practices and Knowledge Sharing are effectively implemented, agencies will realize the following results:

Effectiveness Result

- The agency looks beyond its own experience and resources when developing human capital strategies and works with others to share best practices.

Compliance Result

- As provided in 5 U.S.C. 1103(c), the agency holds managers and human resources officers accountable for efficient and effective human resources management in support of the agency's mission in accordance with merit system principles.

The following page provides key elements and suggested performance indicators for this critical success factor.

RELATED TOOLS

The following tool supports Human Capital Best Practices and Knowledge Sharing. Refer to Appendix A for tools.

Tool	Appendix A Page Number
Benchmarking	23

HUMAN CAPITAL BEST PRACTICES AND KNOWLEDGE SHARING	
KEY ELEMENTS	SUGGESTED PERFORMANCE INDICATORS
<i>The agency has a human capital best practices and knowledge sharing system that:</i>	
<ul style="list-style-type: none"> Benchmarks best practices and lessons learned by other Government agencies and private sector organizations 	<p><u>Effectiveness Indicator</u></p> <ul style="list-style-type: none"> The agency uses resources (e.g., Web sites, research findings, special studies, program guidance) from sources such as: <ul style="list-style-type: none"> OPM Office of Management and Budget (OMB) Government Accountability Office (GAO) Society for Human Resource Management (SHRM) International Public Management Association for Human Resources (IPMA-HR). <p><u>Compliance Indicator</u></p> <ul style="list-style-type: none"> The agency's CHCO identifies best practices and benchmarking studies in accordance with the CHCO Act (5 U.S.C. 1402).
<ul style="list-style-type: none"> Establishes a method or process for collaborating with other agencies regarding effective human capital strategies 	<p><u>Effectiveness Indicators</u></p> <ul style="list-style-type: none"> The agency uses Governmentwide benchmarks (e.g., staffing timeliness, Central Personnel Data Files/FedScope, Federal Human Capital Survey (FHCS) responses) in setting human capital strategic goals. The agency participates in human capital managerial/professional employee groups (e.g., the Chief Human Capital Officers Council, the Small Agency Council, Federal Executive Boards, and National Academy of Public Administration).
<ul style="list-style-type: none"> Provides valuable information to human capital planners on effective human capital strategies that is used to improve human capital planning. 	<p><u>Effectiveness Indicator</u></p> <ul style="list-style-type: none"> Agency representatives participate in Governmentwide collaborative efforts and/or managerial/professional/employee organizations to share best practices and leverage lessons learned.

SECTION II Strategic Alignment System	The Strategic Alignment System
	Human Capital Planning
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	Human Resources as Strategic Partner

RESULTS: HUMAN RESOURCES AS STRATEGIC PARTNER

When the key elements of the critical success factor Human Resources as Strategic Partner are effectively implemented, agencies will realize the following results:

Effectiveness Results

- HR professionals and key stakeholders are involved in the agency strategic and workforce planning efforts.
- The HR function is adequately staffed and prepared, in competencies and resources, to proactively partner and consult with line managers.
- The HR staff reaches out to other organizational functions and components through facilitation, coordination, and counseling to provide integrated mission support.

Compliance Result

- As provided by 5 U.S.C. 1103(c), the agency holds managers and human resources officers accountable for efficient and effective human resources management in support of the agency's mission in accordance with merit system principles.

The following pages provide key elements and suggested performance indicators for this critical success factor.

RELATED TOOLS

The following tools support Human Resources as Strategic Partner. Refer to Appendix A for tools.

Tool	Appendix A Page Number
Customer Service Survey Instrument	25
HR Strategy Survey Instrument for Key Leaders	29
Federal Human Capital Survey (FHCS): Questions Related to the Strategic Alignment System	37

HUMAN RESOURCES AS STRATEGIC PARTNER	
KEY ELEMENTS	SUGGESTED PERFORMANCE INDICATORS
<i>The agency's human resources system:</i>	
<ul style="list-style-type: none"> Is proactively involved in the agency strategic and workforce planning efforts 	<p><u>Effectiveness Indicators</u></p> <ul style="list-style-type: none"> The HR staff consults with managers and supervisors across the agency on various management issues. The HR staff provides advice and guidance to managers on human capital strategies tailored to meet organizational needs. The HR staff assesses and anticipates needs of customers (i.e., managers, supervisors, employees, and applicants), develops functions and services to support and fulfill those needs, ensures quality of services, and communicates program requirements to customers. The HR staff involves line functions in program review and/or development and likewise is invited by line functions to organizational meetings and retreats to identify and advise on HR issues. FHCS and/or other surveys or interviews indicate HR staff members are viewed as internal consultants and human capital strategies support the broader agency mission. Policies describe the process and procedures for communicating customer issues, resolving customer dissatisfaction, and handling customer comments. The HR staff measures and communicates the value of products and services it provides through feedback mechanisms. <p><u>Compliance Indicator</u></p> <ul style="list-style-type: none"> As provided by 5 U.S.C. 1103(c), the agency holds managers and human resources officers accountable for efficient and effective human resources management in support of the agency's mission in accordance with merit system principles.

HUMAN RESOURCES AS STRATEGIC PARTNER	
KEY ELEMENTS	SUGGESTED PERFORMANCE INDICATORS
<i>The agency's human resources system:</i>	
<ul style="list-style-type: none"> Includes a staff with the skills and competencies required for partnering with executives and managers in strategic planning 	<p><u>Effectiveness Indicators</u></p> <ul style="list-style-type: none"> The agency conducts HR staff development needs-assessment studies to identify competency gaps. The agency has strategies (e.g., automation, competitive sourcing, recruitment, mentoring, training) in place to close competency gaps in HR staff and to provide managers the advice and tools they need to operate. HR staff conducts program reviews, customer surveys, and regular assessments of information systems and other support functions to identify areas for continuing improvement. Analysis of staffing levels includes considerations such as HR servicing ratio, HR staff distribution by series/grade/pay band, HR staff average grade/pay band, age, length of service, training completed, retirement eligibility, HR supervisory ratio, and ratio of personnel actions to personnel staff.
<ul style="list-style-type: none"> Has a human resource information system with the capacity to provide relevant and reliable data necessary for making fact-based human capital decisions. 	<p><u>Effectiveness Indicator</u></p> <ul style="list-style-type: none"> HR staff partners with managers to: <ul style="list-style-type: none"> Conduct workforce studies and analyze results in collaboration with managers; the data are used for decision making. Use all available functions and features of the agency's current system to facilitate effective agency workforce management (e.g., process and report on personnel transactions, query data) and provide routine reports to managers.

HUMAN RESOURCES AS STRATEGIC PARTNER	
KEY ELEMENTS	SUGGESTED PERFORMANCE INDICATORS
<i>The agency's human resources system:</i>	
	<ul style="list-style-type: none"> – Participate, as appropriate (i.e., depending on level in organization), in agency and/or OPM initiatives to support the OPM Enterprise Human Resources Integration initiative, which will support HR management across Government. – Participate, as appropriate, in other e-Government initiatives such as e-payroll and Retirement Systems Modernization (RSM). – Use an HR information system that promotes employee self-service and manager access to a broad range of human capital information and indicators.

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SECTION III

Leadership and Knowledge Management System



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	Leadership Succession Management
	Change Management
	Integrity and Inspiring Employee Commitment
	Continuous Learning
	Knowledge Management

THE LEADERSHIP AND KNOWLEDGE MANAGEMENT SYSTEM

This section contains information specific to the Leadership and Knowledge Management system, which focuses on identifying and addressing agency leadership competencies so that continuity of leadership is ensured, knowledge is shared across the organization, and an environment of continuous learning is present.

"Leaders must assume responsibility for the development of future leaders as coaches, mentors, teachers, and – most of all – exemplars within and without leadership development programs."

Organizations Growing Leaders: Best Practices and Principles in the Public Sector

Definition

A system that ensures continuity of leadership by identifying and addressing potential gaps in effective leadership and implements and maintains programs that capture organizational knowledge and promote learning.

Standard

Agency leaders and managers effectively manage people, ensure continuity of leadership, and sustain a learning environment that drives continuous improvement in performance, and provide a means to share critical knowledge across the organization. Knowledge management must be supported by an appropriate investment in training and technology.

Critical Success Factors

The Leadership and Knowledge Management system is comprised of five critical success factors:

- *Leadership Succession Management*: The organization identifies leadership competencies and establishes objectives and strategies to ensure there is a continuous pipeline of available leadership within the organization.
- *Change Management*: The agency has in place leaders who understand what it takes to effectively bring about changes that achieve significant and sustained improvements in performance.
- *Integrity and Inspiring Employee Commitment*: Leaders maintain high standards of honesty and ethics that serve as a model for the whole workforce. Leaders promote teamwork and communicate the organization's shared vision to all levels of the organization and seek feedback from employees. Employees respond by maintaining high standards of honesty and ethics.
- *Continuous Learning*: Leaders foster a learning culture that provides opportunities for continuous development and encourages employees to participate. Leaders invest in education, training, and other developmental opportunities to help themselves and their employees build mission-critical competencies.
- *Knowledge Management*: The organization systematically provides resources, programs, and tools for knowledge sharing across the organization in support of its mission accomplishment.

Together, these critical success factors ensure:

- A constant flow of leaders who can properly direct an agency's efforts to achieve results
- A workforce with the competencies required to achieve the agency's mission
- That the workforce is motivated to use its competencies in service of the agency's mission.

Applicable Merit System Principles

The following merit system principle is especially relevant to the Leadership and Knowledge Management system:

- Employees should be provided effective education and training in cases in which such education and training would result in better organizational and individual performance. (5 U.S.C. 2301(b)(7))

Required Outcome Metrics

The following are required outcome metrics for the Leadership and Knowledge Management system.

Required Metric	Description	Purpose
Organization Metric: Competency Gaps Closed for Management and Leadership	Difference between competencies needed and competencies possessed by managers and leaders	To determine how the agency should target its recruitment, retention, and development efforts to bring the competencies of its managers and leaders into alignment with the agency's current and future needs
Employee Perspective Metric: Questions from Annual Employee Survey about Satisfaction with Leadership	Items from Annual Employee Survey	To determine the extent to which employees hold their leadership in high regard, both overall and on specific facets of leadership
Merit System Compliance Metric: Merit-Based Execution of the Leadership and Knowledge Management System	An assessment of compliance with merit system principles and related laws, rules, and regulations governing the Leadership and Knowledge Management system	To determine decisions, policies, processes, and practices executed under the Leadership and Knowledge Management system comply with the merit system principles and related laws, rules, and regulations

Suggested Metrics

In addition to the required outcome metrics, the following metrics associated with the Leadership and Knowledge Management system are suggested.

Suggested Metric	Description	Purpose
Bench Strength	The relationship between the number of employees in the leadership pipeline who demonstrate the required level of performance on leadership competencies and the number of critical leadership positions	To ensure enough internal organizational capacity exists to mitigate leadership attrition and maintain progress toward mission attainment
Time To Hire Critical Leadership Positions	Average time from date vacancy closes to date offer is extended (expressed in working days)	To determine the efficiency of a critical phase of the Federal hiring process
Succession Sources	Percentage of critical leadership positions filled from internal sources, other Government sources (including military), and non-Government sources	To determine the extent to which various succession planning efforts (including internal career development programs) result in the selection of critical leaders
Culture of Workforce Improvement	Items from Annual Employee Survey	To determine the extent to which employees believe their leaders have developed a culture that values personal growth

SECTION III Leadership and Knowledge Management System	The Leadership and Knowledge Management System
	Leadership Succession Management
	Change Management
	Integrity and Inspiring Employee Commitment
	Continuous Learning
	Knowledge Management

RESULTS: LEADERSHIP SUCCESSION MANAGEMENT

When the key elements of the critical success factor Leadership Succession Management are effectively implemented, agencies will realize the following results:

Effectiveness Result

- The agency has taken action to ensure continuity of leadership through succession planning and executive development programs that result in a diverse pool of qualified internal, other Government, and non-Government sources for all mission-critical leadership positions.

Compliance Result

- The agency has established a comprehensive management succession program that provides training to employees to develop them as managers for the agency as prescribed by the Federal Workforce Flexibility Act of 2004.

The following pages provide key elements and suggested performance indicators for this critical success factor.

RELATED TOOLS

The following tools support Leadership Succession Management. Refer to Appendix A for tools.

Tool	Appendix A Page Number
Succession Planning Process	43
Effective Succession Strategies	49

LEADERSHIP SUCCESSION MANAGEMENT	
KEY ELEMENTS	SUGGESTED PERFORMANCE INDICATORS
<i>The agency has a leadership succession management system that:</i>	
<ul style="list-style-type: none"> • Is based on accurate data on the current workforce • Is based on accurate projections of attrition at all leadership levels • Identifies a diverse pool of high-potential leaders through a fair and accurate process • Includes a formal process to address management potential 	<p><u>Effectiveness Indicators</u></p> <ul style="list-style-type: none"> • The agency's leadership development strategy and policy, which reflect its mission and culture, are developed, documented, and implemented, based on the agency's workforce analysis and succession planning process. • The agency performs an ongoing workforce analysis to identify current and future workforce and related leadership needs. The analysis includes information concerning: <ul style="list-style-type: none"> – Workforce size – Workforce deployment by location, function, and occupation – Leadership competencies needed for mission accomplishment – Trends in hiring, promotion, reassignment, and attrition in leadership positions – Trends in competency needs (e.g., surpluses and gaps in specific skills) – A forecast of future leadership requirements and changes due to retirement and other losses – Inclusion of all demographic groups. • A succession planning process based on workforce analysis is in place that considers current and future leadership needs to meet strategic and performance plans. The plan includes: <ul style="list-style-type: none"> – Specific goals and identification of leadership positions needed – Target positions and key leadership competencies (i.e., a leadership competency model based on the Office of Personnel Management (OPM) executive core qualifications (ECQs) plus appropriate agency-specific competencies)

LEADERSHIP SUCCESSION MANAGEMENT	
KEY ELEMENTS	SUGGESTED PERFORMANCE INDICATORS
<i>The agency has a leadership succession management system that:</i>	
	<ul style="list-style-type: none"> – Potential sources of talent (e.g., internal, other Government, non-Government) that best support the agency’s mission and culture – Recruitment or development strategies needed to ensure availability of well qualified staff to fill leadership positions at all levels including identification of high-potential employees and establishment of a formal Senior Executive Service (SES) candidate development program, other merit-based methods of developing future executives, and/or other appropriate development programs. • The agency conducts regular assessments of leadership policies and performance of its leaders to ensure succession planning goals (e.g., recruitment and retention of high-performing leaders) are being met.
<ul style="list-style-type: none"> • Invests in an SES candidate development program linked to the ECQs • Provides mentoring to new and prospective leaders • Invests in first-line supervisors to ensure they have the competencies to direct the day-to-day work of the agency • Includes an “employee development” performance indicator for managers and senior leaders 	<p><u>Effectiveness Indicators</u></p> <ul style="list-style-type: none"> • The agency leadership has demonstrated its commitment to leadership development through dedication of resources (e.g., appropriate percentage of salaries set aside specifically for leadership development) to develop current and future leaders. • Trained mentors are available to employees participating in development programs.

LEADERSHIP SUCCESSION MANAGEMENT	
KEY ELEMENTS	SUGGESTED PERFORMANCE INDICATORS
<i>The agency has a leadership succession management system that:</i>	
	<p><u>Compliance Indicator</u></p> <ul style="list-style-type: none"> As prescribed by 5 CFR 412, the agency has established a system to provide: <ul style="list-style-type: none"> The competencies needed by supervisors, managers, and executives to perform their current functions at the mastery level of proficiency Learning through development and training in the context of succession planning and corporate perspective to prepare individuals for advancement.
<ul style="list-style-type: none"> Invests in the continuous development of senior leadership. 	<p><u>Effectiveness Indicators</u></p> <ul style="list-style-type: none"> Leadership skill training and development programs address the needs of each level of management (e.g., supervisors, managers, executives, and potential leaders). These programs have been communicated to all levels of management and potential leaders and are reflected in Individual Development Plans (IDPs) for this group. Training and development needs are identified in IDPs by obtaining input from multiple sources (e.g., customers, peers, subordinates, supervisors). IDPs are monitored and include training and experiential development. Identified needs are generally being met. The agency's annual training needs assessment reflects needs identified in IDPs. Training is targeted to meet the most commonly identified needs. Employee survey results, including the Federal Human Capital Survey, indicate employees believe leadership development receives appropriate emphasis and dedicated resources and results in effective leaders who are a source of motivation.

LEADERSHIP SUCCESSION MANAGEMENT	
KEY ELEMENTS	SUGGESTED PERFORMANCE INDICATORS
<i>The agency has a leadership succession management system that:</i>	
	<ul style="list-style-type: none"> Agency leadership development programs are analyzed against agency measures of success to determine usage and impact including statistical data on average grade or pay band/age/length of service, diversity, attrition, and retirement eligibility. The analysis is documented and used by senior management to make decisions about leadership development issues and resource allocation. <p><u>Compliance Indicator</u></p> <ul style="list-style-type: none"> The agency has a program to provide training to managers on actions, options, and strategies to use in (1) communicating with employees whose performance is unacceptable, and (2) mentoring employees and improving employee performance and productivity as prescribed by the Federal Workforce Flexibility Act.

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	Integrity and Inspiring Employee Commitment
	Continuous Learning
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RESULTS: CHANGE MANAGEMENT

When the key elements of the critical success factor Change Management are effectively implemented, agencies will realize the following result:

Effectiveness Result

- The agency has in place leaders who understand what it takes to effectively bring about changes that achieve significant and sustained improvements in performance.

The following page provides key elements and suggested performance indicators for this critical success factor.

CHANGE MANAGEMENT	
KEY ELEMENTS	SUGGESTED PERFORMANCE INDICATORS
<p><i>The agency has a change management system in which leaders:</i></p> <ul style="list-style-type: none"> • Provide adequate resources to support the change • Take visible actions to support new ways of working • Understand there is a need for a change process and facilitate the change management process by monitoring and addressing problems in the transition process • Hold people accountable for performance results and meeting their commitments to the change process • Focus on performance and progress against change milestones. 	<p><u>Effectiveness Indicators</u></p> <ul style="list-style-type: none"> • Annual performance plans, budgets, and performance reports document plans for and progress toward change goals. • Individual performance plans rate leaders and managers on their implementation of change initiatives. • Newsletters, intranet, and other agency media show efforts to share a vision for change. • The agency has a strategy and plan for communication of change. • The Federal Human Capital Survey (FHCS) and/or other climate surveys are conducted and analyzed and relevant results lead to change in strategy.

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RESULTS: INTEGRITY AND INSPIRING EMPLOYEE COMMITMENT

When the key elements of the critical success factor Integrity and Inspiring Employee Commitment are effectively implemented, agencies will realize the following results:

Effectiveness Results

- Leaders maintain high standards of honesty and ethics that serve as a model for the whole workforce; employees respond by maintaining high standards of honesty and ethics.
- Leaders promote teamwork and communicate the organization's shared vision to all levels of the organization, and seek feedback from employees.

Compliance Result

- The agency complies with the Ethics in Government Act of 1978 and other statutory and governing guidance compiled by the Office of Government Ethics to cover conflict of interest and ethics. The agency also complies with its own supplemental standards of conduct.

The following pages provide key elements and suggested performance indicators for this critical success factor.

INTEGRITY AND INSPIRING EMPLOYEE COMMITMENT	
KEY ELEMENTS	SUGGESTED PERFORMANCE INDICATORS
<i>Employee integrity and commitment is in evidence when:</i>	
<ul style="list-style-type: none"> • Senior leaders foster an environment of open communication (top-down and bottom-up communication) throughout the agency • Employees view the agency as a desirable place to work • Teamwork is valued and rewarded in the agency • Agency policies reinforce the Office of Government Ethics Standards of Ethical Conduct for Executive Branch Employees and, at a minimum, meet the Office's requirements for ethics training. Ethical behavior and standards are included in competencies for all employees. Programs for identifying violations exist and leaders take appropriate disciplinary actions. 	<p><u>Effectiveness Indicators</u></p> <ul style="list-style-type: none"> • The FHCS and/or other employee climate surveys reflect a positive, committed work environment. • Human resources staff, in partnership with management, seeks and considers continuous feedback from employees (e.g., focus groups) regarding workplace environment and responds to feedback with appropriate action. • Agency has been cited in applicant feedback and media stories as an employer of choice. • Agency awards policy promotes teamwork through the use of group awards and communication of group successes. • Agency analyzes trends across management indicators such as per capita overtime, worker's compensation charges, sick leave usage, forfeiture of annual leave, turnover, removal of probationers, disciplinary actions, adverse actions (5 CFR part 752), and exit interviews. • Senior leaders sign statements of conduct or agency-wide declarations. • The FHCS and/or other employee surveys report an ethical climate exists, employees are aware of their whistleblower rights and other personnel protections, and they are likely to report wrongdoing. • Agency has a whistleblower support and Inspector General hotline program; activities are recorded and analyzed. • Communication strategies include a variety of media to convey senior leadership's message to the workforce. • Agency has a positive record in program reviews and congressional reviews. <p><u>Compliance Indicators</u></p>

INTEGRITY AND INSPIRING EMPLOYEE COMMITMENT	
KEY ELEMENTS	SUGGESTED PERFORMANCE INDICATORS
<i>Employee integrity and commitment is in evidence when:</i>	
	<ul style="list-style-type: none"> • Agency is certified by the Office of Special Counsel to be in compliance with the 5 U.S.C. 2302(c) requirement that the workforce be informed of whistleblower rights and other personnel protections. • Provides current and future leaders with an annual course on Government ethics.

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RESULTS: CONTINUOUS LEARNING

When the key elements of the critical success factor Continuous Learning are effectively implemented, agencies will realize the following results:

Effectiveness Results

- The agency has achieved a culture of continuous learning through investments in education, training, and other developmental opportunities that help employees build mission-critical competencies.
- Training and development initiatives and strategies support mission-critical competencies, are linked to the agency mission, and have demonstrated a positive impact on agency mission performance.
- The agency uses appropriate learning technology and innovative learning strategies to meet the training and development needs of the workforce.
- The agency has developed and implemented a process to evaluate its training and development program impact in terms of learning, performance, work environment, and contribution to mission accomplishment. The results of the evaluation reflect a positive contribution to mission accomplishment.

Compliance Results

- As prescribed by the CHCO Act of 2002 (5 U.S.C. 1402), the agency CHCO has developed and advocates a culture of continuous learning to attract and retain employees with superior abilities and sets the workforce development strategy.
- The agency's training programs comply with the provisions of 5 U.S.C. 4101 and 5 CFR 410 and 412.
- As provided in the CHCO Act of 2002 (5 U.S.C. 1103(c)), the agency:
 - Sustains a culture that cultivates and develops a high-performing workforce
 - Develops and implements a knowledge management strategy supported by appropriate investment in training and technology.

The following pages provide key elements and suggested performance indicators for this critical success factor.

RELATED TOOLS

The following tools support Continuous Learning. Refer to Appendix A for tools.

Tool	Appendix A Page Number
Individual Development Planning	53
Learning Strategies for Creating a Continuous Learning Environment	59
Employee Development and Training Flexibilities	71
Evaluating Training: A Primer	81
Strategically Planning Training and Measuring Results	83
Fostering a Learning Organization	87

CONTINUOUS LEARNING	
KEY ELEMENTS	SUGGESTED PERFORMANCE INDICATORS
<i>The agency has a continuous learning system that:</i>	
<ul style="list-style-type: none"> • Is based on accurate information from IDPs and an annual organizational needs analysis • Focuses on mission-critical occupations 	<p><u>Effectiveness Indicators</u></p> <ul style="list-style-type: none"> • A training needs assessment linked to strategic and mission-critical competencies is conducted. Based on assessment results, employees are trained in specific, job-related skills and knowledge. • Training programs are designed and implemented which build competencies important to strategic goals and objectives and the agency's performance plan execution. <ul style="list-style-type: none"> – Competency-based career development programs, including various development activities and learning opportunities, have been implemented and documented and are being used by employees. – Competency models have been established which document standards for competency levels (e.g., entry, journey, expert). • IDPs, or a similar process, are established for employees in mission-critical occupations. IDP completion is tracked and review indicates IDPs are being completed in most cases. • Performance evaluations reflect consideration of employee developmental training and developmental needs. Review indicates action is usually taken to follow through on meeting these needs. • Agency policy and practice reflect responsibility for employee development is shared between employees and managers. <p><u>Compliance Indicators</u></p> <ul style="list-style-type: none"> • In accordance with 5 CFR 410, the agency assesses training needs annually. • The agency closes skill gaps in mission-critical occupations in accordance with the CHCO Act (5 U.S.C. 1103(c)).

CONTINUOUS LEARNING	
KEY ELEMENTS	SUGGESTED PERFORMANCE INDICATORS
<p><i>The agency has a continuous learning system that:</i></p> <ul style="list-style-type: none"> • Uses a wide variety of methods including classroom training, distance learning, mentoring, and experiential learning • Encourages attendance at conferences, workshops, and seminars 	<p><u>Effectiveness Indicators</u></p> <ul style="list-style-type: none"> • The agency conducts an analysis to select and implement the best array of learning strategies (e.g., rotational assignment, shadowing, mentoring) for the targeted audience(s) to provide them with mission-critical competencies. • Learning technology and other alternative learning strategies are reflected in the agency's strategic human capital planning documents and training plans. • Where appropriate, the agency has implemented e-learning activities such as eGov Online Learning Center. • The agency has invested in the infrastructure necessary to leverage learning opportunities that include the application of reasonable accommodation, where justified by return-on-investment analysis. • Leaders are responsible for leadership development and emphasize the value of learning, foster learning opportunities for employees, and demonstrate their support through personal involvement and resource allocation decisions. For example, they: <ul style="list-style-type: none"> – Set aside a percentage of salary dollars for employee training and development – Provide tuition assistance for formal education – Establish long-term technical development programs – Fund employee certification requirements as authorized. • Policies, practices, and resource allocation decisions demonstrate agency support for continuous learning.

CONTINUOUS LEARNING	
KEY ELEMENTS	SUGGESTED PERFORMANCE INDICATORS
<i>The agency has a continuous learning system that:</i>	
<ul style="list-style-type: none"> • Is properly funded, monitored, and evaluated • Is administered fairly. 	<p><u>Effectiveness Indicators</u></p> <ul style="list-style-type: none"> • Employee survey results, including the Federal Human Capital Survey, indicate employees believe they have appropriate opportunities to develop skills through training and experience. • Analysis of education, training, and development opportunities shows no disparate treatment of segments of the workforce (i.e., training is appropriately aligned with workforce planning goals, priorities are based on available funding, and opportunities are provided equitably across the employee population). • A training evaluation system has been implemented which measures the impact of training at the following levels: <ul style="list-style-type: none"> – Did learning occur? – Was learning applicable to job performance or other behavior important to the organization and to results? – Did the employee apply the learning or behavior to his/her job or work environment? – If the employee applied the learning, did it have the expected impact on performance or other job-related behavior? • An analysis has been conducted of the evaluation results and this information is used to make decisions about investments in employee training and development. Generally, the evaluation indicates training and development investments are making a positive impact on the organization's performance and/or work environment and meet the training goals and expectations established between supervisors and employees prior to participation in training.

CONTINUOUS LEARNING	
KEY ELEMENTS	SUGGESTED PERFORMANCE INDICATORS
<i>The agency has a continuous learning system that:</i>	
	<p><u>Compliance Indicators</u></p> <ul style="list-style-type: none"> • As prescribed by the Federal Workforce Flexibility Act, the agency has evaluated each training program or plan established, operated, or maintained with respect to accomplishing specific performance plans and strategic goals in performing the agency mission; and the agency has modified such programs or plans to accomplish goals. • As established by 5 CFR 410.601, the agency evaluates training to determine how well it meets short- and long-range program needs by occupations, organizations, or other appropriate groups.

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RESULTS: KNOWLEDGE MANAGEMENT

When the key elements of the critical success factor Knowledge Management are effectively implemented, agencies will realize the following results:

Effectiveness Results

- The agency has developed and implemented a knowledge management process that provides a means to share critical knowledge across the organization. Leadership also encourages and rewards knowledge sharing.
- Information technology tools that facilitate gathering and sharing knowledge within and outside the agency are available to employees to improve individual and organizational performance.

Compliance Result

- As prescribed in the Chief Human Capital Officers (CHCO) Act of 2002 (5 U.S.C. 1103(c)), the agency has developed and implemented a knowledge management strategy supported by appropriate investments in training and technology.

The following page provides key elements and suggested performance indicators for this critical success factor.

RELATED TOOLS

The following tools support Knowledge Management. Refer to Appendix A for tools.

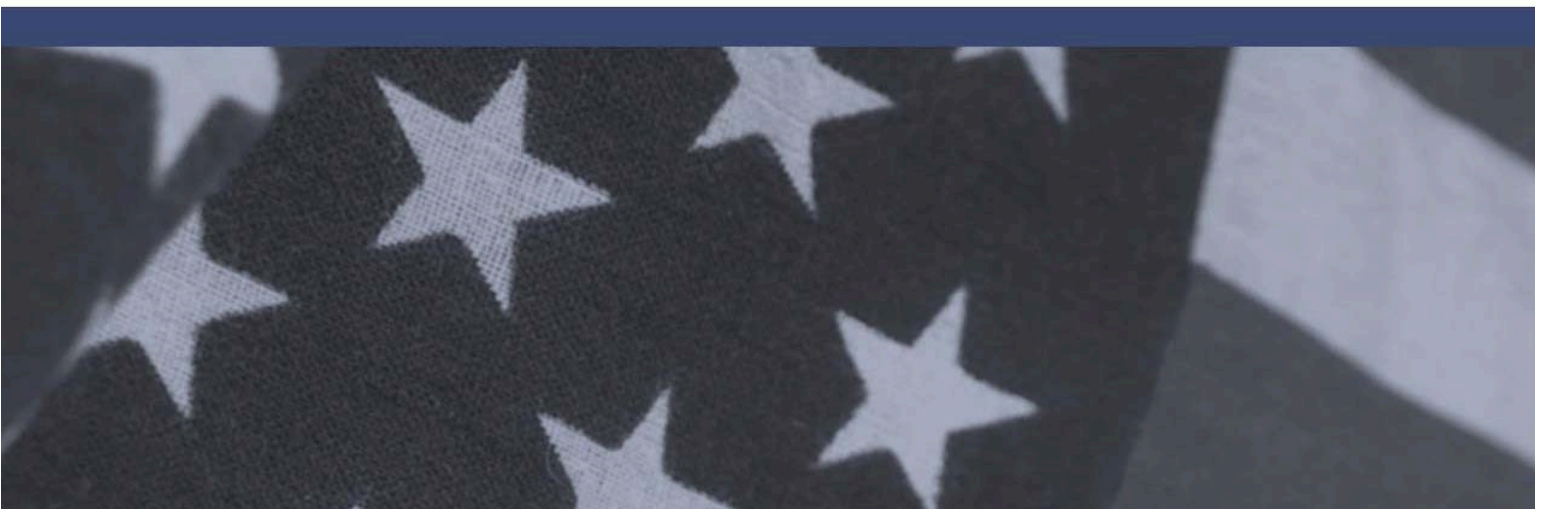
Tool	Appendix A Page Number
Leveraging Knowledge Capital	91
Communities of Practice	97

KNOWLEDGE MANAGEMENT	
KEY ELEMENTS	SUGGESTED PERFORMANCE INDICATORS
<i>The agency has a knowledge management system that:</i>	
<ul style="list-style-type: none"> • Captures, indexes, processes, and easily retrieves data that may be composed of text, audio, video, and Web-based elements • Facilitates the sharing of knowledge and best practices throughout the agency • Maintains active participation in communities of practice outside the agency • Establishes communities of practice for sharing key knowledge at all managerial and leadership levels. 	<p><u>Effectiveness Indicators</u></p> <ul style="list-style-type: none"> • A knowledge management process has been developed, documented, and systematically shared with employees. Training and/or orientation is provided to the workforce. An infrastructure which facilitates knowledge capture, indexing, processing, and retrieval is established to support knowledge sharing through the use of the intranet, shared networks, and communities of practice and/or best practices. • The agency has analyzed the use of the knowledge-sharing process and established the utility and usage of the process and tools. <ul style="list-style-type: none"> – Knowledge sharing has been established as an organizational value through management communications and recognition of employees who exemplify the practice of knowledge sharing. – Requirements and specifications for tools support work performed by employees. • The agency has begun codifying knowledge through the use of the intranet, shared networks, and communities of practice and/or best practices. <p><u>Compliance Indicator</u></p> <ul style="list-style-type: none"> • As prescribed in the CHCO Act (5 U.S.C. 1103(c)), the agency has developed and implemented a knowledge management strategy supported by appropriate investments in training and technology.

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SECTION IV

Results-Oriented Performance Culture System



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	Labor/Management Relations

THE RESULTS-ORIENTED PERFORMANCE CULTURE SYSTEM

This section contains information specific to the Results-Oriented Performance Culture system, which focuses on having a diverse, results-oriented, high-performing workforce, as well as a performance management system that effectively plans, monitors, develops, rates, and rewards employee performance.

"By aligning employee performance appraisal plans with executive performance agreements and directly communicating agreement goals to employees, supervisors can drive home to employees just how their performance impacts organizational goals."

Office of Personnel Management

Definition

A system that promotes a diverse, high-performing workforce by implementing and maintaining effective performance management systems and awards programs.

Standard

The agency has a diverse, results-oriented, high-performing workforce and a performance management system that differentiates between high and low levels of performance and links individual/team/unit performance to organizational goals and desired results effectively.

Critical Success Factors

The Results-Oriented Performance Culture system is comprised of the following critical success factors that work together to create a diverse, results-oriented, high performance workforce:

- *Communication*: The agency has a process for sharing information and ideas about the organization with all employees. This vital process includes eliciting employee feedback and involvement so all employees play an appropriate role in planning and executing the mission.
- *Performance Appraisal*: The agency has a process under which performance is reviewed and evaluated.
- *Awards*: The organization takes actions to recognize and reward individual or team achievement that contributes to meeting organizational goals or improving the efficiency, effectiveness, and economy of the Government. Such awards include, but are not limited to: employee incentives which are based on predetermined criteria, rating-based awards, or awards based on a special act or service.
- *Pay for Performance*: The agency uses pay-for-performance systems, where authorized by law and regulation, to link salary levels and adjustments to an individual's overall performance and contribution to the agency's mission. Employees receive base salary adjustments within their assigned bands.
- *Diversity Management*: The agency maintains an environment characterized by inclusiveness of individual differences and responsiveness to the needs of diverse groups of employees.
- *Labor/Management Relations*: The organization promotes cooperation among employees, unions, and managers. This cooperation enhances effectiveness and efficiency, cuts down the number of employee-related disputes, and improves working conditions, all of which contribute to improved performance and results.

Applicable Merit System Principles

The following merit system principles are especially relevant to the Results-Oriented Performance Culture system (5 U.S.C. 2301):

- All employees and applicants for employment should receive fair and equitable treatment in all aspects of personnel management without regard to political affiliation, race, color, religion, national origin, sex, marital status, age, or handicapping condition, and with proper regard for their privacy and constitutional rights. (5 U.S.C. 2301(b)(2))
- Equal pay should be provided for work of equal value, with appropriate consideration of both national and local rates paid by employers in the private sector, and appropriate incentives and recognition should be provided for excellence in performance. (5 U.S.C. 2301(b)(3))
- Employees should be retained on the basis of adequacy of their performance, inadequate performance should be corrected, and employees should be separated who cannot or will not improve their performance to meet required standards. (5 U.S.C. 2301(b)(6))

Required Outcome Metrics

The following are required outcome metrics for the Results-Oriented Performance Culture system.

Required Metric	Description	Purpose
Organization Metric: SES Performance/Organizational Performance Relationship as Linked to Mission	Relationship between SES performance ratings and accomplishment of the agency's strategic goals	To determine the extent to which SES appraisals and awards are appropriately based on achievement of organizational results
Organization Metric: Workforce Performance Appraisals Aligned to Mission, Goals, and Outcomes	Degree of linkage between employees' performance appraisal plans and agency mission, goals, and outcomes	To determine whether all employees have performance appraisal plans that effectively link to the agency's mission, goals, and outcomes
Employee Perspective Metric: Questions from Annual Employee Survey about Performance Culture	Items from Annual Employee Survey	To determine the extent to which employees believe their organizational culture promotes improvement in processes, products and services, and organizational outcomes

Section IV: Results-Oriented Performance Culture System

Required Metric	Description	Purpose
Merit System Compliance Metric: Merit-Based Execution of the Performance Culture System	An assessment of compliance with merit system principles and related laws, rules, and regulations governing the Performance Culture system	To determine decisions, policies, processes, and practices executed under the Performance Culture system comply with the merit system principles and related laws, rules, and regulations

Suggested Metrics

In addition to the required outcome metrics, the following metrics associated with the Results-Oriented Performance Culture system are suggested.

Suggested Metric	Description	Purpose
Performance Ratings	Percent of employees achieving each rating level used in an agency's performance appraisal system in relation to organizational and individual performance	To track the extent to which agencies make meaningful distinctions among employees' performance
Awards	Relationship of the distribution of performance ratings to awards	To track the extent to which agency monetary awards reflect employee performance
Respect for Diversity	Items from Annual Employee Survey	To determine the extent to which employees believe their organization is respectful of and welcoming to the great diversity that makes up the Federal workforce
Employee Grievances and Complaints	Review of formal grievances and complaints	To determine whether the underlying facts of complaints and grievances indicate agency mistake or wrong doing

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RESULTS: COMMUNICATION

When the key elements of the critical success factor Communication are effectively implemented, agencies will realize the following results:

Effectiveness Results

- The agency's strategic plan has been shared with and/or is accessible to all agency employees. Employees are knowledgeable about the agency's strategic plan and their role in supporting the agency's mission.
- Employees have a direct line of sight between performance elements (performance expectations) and award systems and the agency mission. These links have been communicated to and are understood by employees, enabling them to focus their work effort on those activities most important to mission accomplishment. All employees are held accountable for achieving results that support the agency's strategic plan goals and objectives.

The following page provides key elements and suggested performance indicators for this critical success factor.

COMMUNICATION	
KEY ELEMENTS	SUGGESTED PERFORMANCE INDICATORS
<i>The agency has a communication system that:</i>	
<ul style="list-style-type: none"> Ensures employees understand the agency's mission, goals, and objectives and what employees' roles are in achieving the mission, goals, and objectives 	<p><u>Effectiveness Indicators</u></p> <ul style="list-style-type: none"> The agency has developed and implemented a communication strategy to share the vision, strategic plan, and related documents (e.g., Strategic Human Capital Plan) with all employees. A variety of media are used to communicate the strategic plan and related documents to all levels of the workforce. Surveys and/or interview data/summaries indicate employees are aware of the strategic plan goals and understand how they relate to the agency's mission and their duties.
<ul style="list-style-type: none"> Elicits employee feedback and involvement in decision-making and planning processes. 	<p><u>Effectiveness Indicators</u></p> <ul style="list-style-type: none"> Communication up and down the organization is effective. Documentation shows innovation and problem solving between employees and management. Employees are involved in the decision-making process, fostering their support for organizational decisions. Surveys and/or interviews indicate employees are satisfied with their level of participation in the organizational decision-making process and feel empowered to share their ideas and/or concerns with supervisors and other management officials.

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RESULTS: PERFORMANCE APPRAISAL

When the key elements of the critical success factor Performance Appraisal are effectively implemented, agencies will realize the following results:

Effectiveness Results

- Employees have a direct line of sight between performance elements (performance expectations) and award systems and the agency mission. These links have been communicated to and are understood by employees, enabling them to focus their work effort on those activities most important to mission accomplishment. All employees are held accountable for achieving results that support the agency's strategic plan goals and objectives.
- The agency's performance management system differentiates between high and low levels of performance. Agencies with a high percentage of outstanding ratings also demonstrate a high level of achievement of their strategic goals and objectives and/or program accomplishments as reflected in the agency annual performance plan.
- Supervisors and managers use performance results to offer feedback, identify developmental needs to help improve employee performance, and address instances of poor performance.

Compliance Results

- The agency has an OPM-approved performance appraisal system(s) in place and administers the system(s) in accordance with 5 U.S.C. chapter 43 or other congressionally-mandated enabling legislation.
- The agency CHCO carries out workforce development provisions of the CHCO Act of 2002 (5 U.S.C. 1402).

The following pages provide key elements and suggested performance indicators for this critical success factor.

RELATED TOOLS

The following tools support Performance Appraisal. Refer to Appendix A for tools.

Tool	Appendix A Page Number
Aligning Performance Plans with Organizational Goals: OPM's Eight-Step Process	103
Checklist for Meeting Regulatory Requirements: Performance Appraisal Systems	109
Performance Management Overview	115
Federal Human Capital Survey (FHCS): Questions Related to the Results-Oriented Performance Culture System	121

PERFORMANCE APPRAISAL	
KEY ELEMENTS	SUGGESTED PERFORMANCE INDICATORS
<i>The agency has a performance appraisal system that:</i>	
<ul style="list-style-type: none"> Aligns employee performance plans with organizational goals Focuses employees on achieving results Requires employee performance plans to include clear performance elements (expectations) with measurable standards of performance 	<p><u>Effectiveness Indicators</u></p> <ul style="list-style-type: none"> Work units have documented performance goals and objectives linked to the agency strategic plan and performance plan. Performance elements (expectations) for employees are: <ul style="list-style-type: none"> Aligned with organizational goals Clear, specific, and understandable Reasonable and attainable Measurable, observable, or verifiable, and results oriented Communicated in a timely fashion Key in fostering continual improvement in productivity. <p><u>Compliance Indicators</u></p> <ul style="list-style-type: none"> Agency managers plan and communicate performance elements (expectations) and standards linked with strategic planning initiatives in accordance with the Executive Performance and Accountability Interim Rule (5 CFR 430 and 1330) or applicable agency directives. In accordance with 5 CFR 430 subparts b and c, performance plans must: <ul style="list-style-type: none"> Be issued at the beginning of the appraisal period Include at least one critical element For SES, must include balanced measures of business results, employee, and customer perspectives.

PERFORMANCE APPRAISAL	
KEY ELEMENTS	SUGGESTED PERFORMANCE INDICATORS
<i>The agency has a performance appraisal system that:</i>	
	<ul style="list-style-type: none"> • Senior employee ratings (as well as subordinate employees' expectations and ratings for those with supervisory responsibilities) appropriately reflect the employee's performance elements (performance expectations), relevant program performance measures, and any other relevant factors in accordance with the Executive Performance and Accountability Interim Rule (5 CFR 430 or applicable agency directives and 1330). • As stated in 5 CFR 430 or applicable agency directives, the agency has established employee performance plans, including, but not limited to, critical elements and performance standards.
<ul style="list-style-type: none"> • Makes meaningful distinctions in levels of performance 	<p><u>Effectiveness Indicators</u></p> <ul style="list-style-type: none"> • The agency performance appraisal system for senior executive and senior professional employees provides for meaningful distinctions based on relative performance. These systems include multiple levels against which to appraise employees. The rating levels identified are appropriate to the employees covered by the system (e.g., four or five levels for systems certified by the Office of Personnel Management (OPM) covering Senior Executive Service (SES) employees. • Agency performance appraisal systems <i>for other than</i> senior executive and senior professional employees provide for adequately distinguishing between levels of performance (i.e., include multiple performance levels against which to appraise employees, with at least one summary rating level above "Fully Successful"). A review of performance plans indicates performance standards are clear and understandable and are an effective tool

PERFORMANCE APPRAISAL	
KEY ELEMENTS	SUGGESTED PERFORMANCE INDICATORS
<i>The agency has a performance appraisal system that:</i>	
	<p>for distinguishing between levels of performance.</p> <ul style="list-style-type: none"> • A high number of outstanding performance ratings or large cash awards is supported by achievement of strategic goals and objectives and/or program goals as reflected in the agency's annual performance report. <p><u>Compliance Indicators</u></p> <ul style="list-style-type: none"> • Performance information is used to adjust pay or reward, reassign, develop, and remove senior executives or make other personnel decisions in accordance with 5 CFR 430.304; and for all other employees in accordance with 5 CFR 430 or applicable agency directives. • To satisfy the requirements of the Executive Performance and Accountability Interim Rule (5 CFR 430 and 1330 or applicable agency directives), the agency's certified performance appraisal system for senior employees provides for performance differentiation so its annual ratings, pay adjustments, and awards result in meaningful distinctions based on relative performance.
<ul style="list-style-type: none"> • Provides a process for dealing with poor performance 	<p><u>Effectiveness Indicators</u></p> <ul style="list-style-type: none"> • Policies and procedures, including delegation of authority, for addressing poor performance have been developed and communicated to supervisors. • Analysis is performed to identify the cause of any organizational or individual performance shortfalls, and appropriate performance improvement strategies are identified and implemented.

PERFORMANCE APPRAISAL	
KEY ELEMENTS	SUGGESTED PERFORMANCE INDICATORS
<i>The agency has a performance appraisal system that:</i>	
	<p><u>Compliance Indicators</u></p> <ul style="list-style-type: none"> Managers and supervisors receive training in the appropriate use of performance improvement strategies (e.g., coaching, mentoring, training, reassignment, providing effective feedback) in accordance with the Federal Workforce Flexibility Act. Supervisors affirmatively assist, evaluate, and, if appropriate, separate probationary employees during their probation period in accordance with 5 CFR 315. Managers and supervisors take appropriate action (e.g., downgrade, within-grade increase denial, reassignment, removal) in cases of minimally successful or unsatisfactory performance where performance improvement strategies are not successful, in accordance with 5 CFR 432, 752, and 531.
<ul style="list-style-type: none"> Involves employees in the development of their performance plans Requires employees receive feedback on their performance 	<p><u>Effectiveness Indicator</u></p> <ul style="list-style-type: none"> The agency performance appraisal system encourages employee participation in establishing performance plans. <p><u>Compliance Indicators</u></p> <ul style="list-style-type: none"> Employees are covered by recorded performance plans, which are communicated to employees at the beginning of each appraisal period. Plans include critical elements and performance standards, in accordance with 5 CFR 430 or applicable agency directives. Employee performance is monitored by the supervisor and discussed with the employee on an ongoing basis during the designated appraisal period, with one or more progress reviews conducted and documented, in accordance with 5 CFR 430 or applicable agency directives.

PERFORMANCE APPRAISAL	
KEY ELEMENTS	SUGGESTED PERFORMANCE INDICATORS
<i>The agency has a performance appraisal system that:</i>	
	<ul style="list-style-type: none"> • Employees are given ratings of record at the end of each appraisal period and/or at other appropriate times during the appraisal period in accordance with 5 CFR 430 or applicable agency directives. • The agency encourages employee participation in establishing performance plans as stated in 5 CFR 430.206 or applicable agency directives.
<ul style="list-style-type: none"> • Provides for training to executives, managers, and supervisors to ensure they have the knowledge, skills, and abilities to effectively manage performance • Holds executives, managers, and supervisors accountable in their performance plans for the rigorous appraisal of their subordinates 	<p><u>Effectiveness Indicators</u></p> <ul style="list-style-type: none"> • Performance elements (performance expectations) for senior executives, managers, and supervisors are: <ul style="list-style-type: none"> – Aligned with organizational goals – Clear, specific, and understandable – Reasonable and attainable – Measurable, observable, or verifiable, and results oriented – Balanced between expected results and other indicators such as leadership behaviors and employee and stakeholder feedback – Communicated in a timely fashion – Key in fostering continual improvement in productivity. • All supervisors, managers, and executives receive training on performance management and coaching/feedback techniques. • Sources of data (e.g., Federal Human Capital Survey, upward feedback, multi-rater assessment) indicate supervisors, managers, and executives demonstrate effective performance management and coaching/feedback skills.

PERFORMANCE APPRAISAL	
KEY ELEMENTS	SUGGESTED PERFORMANCE INDICATORS
<i>The agency has a performance appraisal system that:</i>	
	<ul style="list-style-type: none"> Reviews of performance plans for all levels of the agency indicate supervisors, managers, and executives are held accountable for the performance management of their subordinates. <p><u>Compliance Indicator</u></p> <ul style="list-style-type: none"> The agency has established and implemented a specific training program for managers in accordance with the Federal Workforce Flexibility Act that provides training on actions, options, and strategies a manager may use in: <ul style="list-style-type: none"> Communicating with employees whose performance is unacceptable Mentoring employees and improving employee performance and productivity.
<ul style="list-style-type: none"> Establishes a process for periodically evaluating the effectiveness of the appraisal system so the agency can use the evaluation data to improve the system. 	<p><u>Effectiveness Indicators</u></p> <ul style="list-style-type: none"> The agency regularly tracks performance and reports results. Survey results and/or interviews indicate employees understand their performance elements (performance expectations), consider them to be fair, and understand how their efforts contribute to mission accomplishment. Workforce survey results indicate employees perceive a linkage between high performance and recognition and awards. Employees also believe creativity and innovation are rewarded and their own performance evaluations properly reflect their level of performance. Statistical data related to actions for poor performance (including separations for performance, number of removals and downgrades, and number of denials of within-grade increases) indicate these remedies are being used appropriately. Statistical data for performance ratings and awards, in the context of an empirical review of

PERFORMANCE APPRAISAL	
KEY ELEMENTS	SUGGESTED PERFORMANCE INDICATORS
<i>The agency has a performance appraisal system that:</i>	
	<p>the performance decision-making process, show appropriate distribution and meaningful distinctions.</p> <p><u>Compliance Indicator</u></p> <ul style="list-style-type: none"> • The agency's performance appraisal system(s) and program(s) are evaluated in accordance with 5 CFR 430 or applicable agency directives.

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	Communication
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	Awards
	Pay for Performance
	Diversity Management
	Labor/Management Relations

RESULTS: AWARDS

When the key elements of the critical success factor Awards are effectively implemented, agencies will realize the following results:

Effectiveness Results

- Employees have a direct line of sight between performance elements (performance expectations) and award systems and the agency mission. These links have been communicated to and are understood by employees, enabling them to focus their work effort on those activities most important to mission accomplishment. All employees are held accountable for achieving results that support the agency's strategic plan goals and objectives.
- The agency has created a "reward environment," beyond compensation and benefits, that contributes to attracting, retaining, and motivating employees.

Compliance Result

- The agency has developed one or more awards programs for its employees that obligates funds, and documents awards justifications in accordance with 5 CFR 451.

Section IV: Results-Oriented Performance Culture System

The following page provides key elements and suggested performance indicators for this critical success factor.

RELATED TOOLS

The following tool supports Awards. Refer to Appendix A for the tool.

Tool	Appendix A Page Number
Federal Human Capital Survey (FHCS): Questions Related to the Results-Oriented Performance Culture System	121

AWARDS	
KEY ELEMENTS	SUGGESTED PERFORMANCE INDICATORS
<i>The agency has an awards system that:</i>	
<ul style="list-style-type: none"> • Is aligned with organizational goals and values • Has clear criteria for awards, communicated effectively so employees understand the purpose of the awards • Includes a variety of types of awards (e.g., formal, monetary, nonmonetary, time-off), giving supervisors have a wide range of tools available to recognize performance • Provides incentives for performing at an exemplary level • Recognizes top performers appropriately • Establishes a process for periodically evaluating the effectiveness of the awards system so the agency can use the evaluation data to improve the system. 	<p><u>Effectiveness Indicators</u></p> <ul style="list-style-type: none"> • The agency has designed, communicated, and implemented an awards program aligned with organizational goals, based on clear criteria, and tailored to the interests and priorities of the agency's workforce. • The agency uses a variety of monetary and nonmonetary awards (e.g., certificates, recognition in agency publications, award ceremonies). • Executives, managers, and supervisors receive training on available awards and how to use them to attract, retain, and motivate employees. • Surveys and/or interviews indicate employees feel valued and appropriately recognized for performance. <p><u>Compliance Indicator</u></p> <ul style="list-style-type: none"> • The agency communicates with employees and supervisors about awards programs, evaluates its programs, documents awards appropriately, and gives due weight to awards in qualifying and selecting employees for promotion promoting employees in accordance with 5 U.S.C. 3362.

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RESULTS: PAY FOR PERFORMANCE

When the key elements of the critical success factor Pay for Performance are effectively implemented, agencies will realize the following results:

Effectiveness Results

- The pay-for-performance system, where authorized by law and regulation, is results-driven, producing a distribution of pay adjustments and bonuses based on individual contribution, organizational performance, and/or team performance.
- The pay-for-performance system, where authorized by law and regulation, ensures employee and supervisory accountability with respect to individual performance and organizational results.
- Employees' pay is linked to their performance ratings.
- Supervisors and managers make meaningful distinctions in performance ratings.

Compliance Result

- Pay adjustments, cash awards, and levels of pay based on the results of the appraisal process accurately reflect and recognize individual performance and/or contribution to the agency's performance in accordance with applicable agency directives.

The following pages provide key elements and suggested performance indicators for this critical success factor.

PAY FOR PERFORMANCE	
KEY ELEMENTS	SUGGESTED PERFORMANCE INDICATORS
<p><i>When authorized, the agency has a pay-for-performance system that:</i></p> <ul style="list-style-type: none"> • Makes pay distinctions based on performance • Includes a transparent process for making pay adjustments • Requires clear and frequent communications about the pay system and how it operates. 	<p><u>Effectiveness Indicators</u></p> <ul style="list-style-type: none"> • An understandable pay pool structure (e.g., roles and responsibilities) and process for making timely pay determinations have been communicated across the agency using a variety of methods (e.g., Web sites, handbooks, policies, announcements). • Managers, supervisors, and employees are oriented and/or trained at the beginning of the performance cycle on the relationship between their performance and salary adjustments and awards at the end of the cycle. • Data on pay pool determinations/discussions indicate: <ul style="list-style-type: none"> – The budget is effectively managed. – Top performers are getting the highest pay increases and/or awards. – Employees perceive the process to be fair and credible. – Pay adjustments correlate with performance ratings. <p><u>Compliance Indicators</u></p> <ul style="list-style-type: none"> • For senior employees, individual pay rates and pay adjustments reflect meaningful distinctions based on relative contribution to agency performance in accordance with the Executive Performance and Accountability Interim Rule (5 CFR 430 or applicable agency directives and 1330). • Pay-for-performance systems, authorized by OPM as part of Demonstration Projects, are evaluated periodically to determine compliance with the Project Plan in accordance with 5 CFR 470.317.

PAY FOR PERFORMANCE	
KEY ELEMENTS	SUGGESTED PERFORMANCE INDICATORS
<i>When authorized, the agency has a pay-for-performance system that:</i>	
	<ul style="list-style-type: none"> • Pay-for-performance systems authorized by Congress are in compliance with their enabling legislation, regulations, and operating guidance (e.g., DHS HRM system in chapter 97 of title 5, U.S. Code and part 9701 of 5 CFR; and the provisions of the National Security Personnel System, chapter 99 of title 5, U.S. Code and part 9901 of 5 CFR).

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RESULTS: DIVERSITY MANAGEMENT

When the key elements of the critical success factor Diversity Management are effectively implemented, agencies will realize the following results:

Effectiveness Results

- The agency has implemented a diversity management program and has shown positive results in creating a diverse workforce.
- The agency is responsive to the needs of diverse groups, resulting in a positive work environment conducive to all employees achieving their potential without fear or abuse.

Compliance Result

- The agency ensures equal opportunities for employees without discrimination as prescribed in 5 U.S.C. 7201.

The following pages provide key elements and suggested performance indicators for this critical success factor.

DIVERSITY MANAGEMENT	
KEY ELEMENTS	SUGGESTED PERFORMANCE INDICATORS
<i>The agency has a diversity management system that:</i>	
<ul style="list-style-type: none"> • Tracks and analyzes workforce diversity trends • Develops and implements diversity outreach plans as part of the agency's overall outreach efforts. 	<p><u>Effectiveness Indicators</u></p> <ul style="list-style-type: none"> • The agency's diversity program intent and processes are communicated to all employees. • Surveys and/or interviews show the workforce is aware of, and generally supports, diversity program efforts. • The agency develops and implements diversity programs to improve diversity within the agency including: <ul style="list-style-type: none"> – A recruitment strategy to reach diverse populations at colleges/universities, minority-focused professional organizations, and other organizations representing women, veterans, people with disabilities, and other groups, as part of the agency's overall outreach strategy – Encouragement of the participation of diverse groups in occupation-focused and leadership training and development programs – Family-friendly policies relating to work schedules, telework, and other workplace flexibilities. • The agency's diversity program is inclusive of all groups and is based on analysis of representation of various groups including people with disabilities, various minority groups, and women. • The diversity program is actively endorsed and supported by agency senior leadership through policy, budget allocation, and personal endorsements. • The agency supports forums and activities for recognized interest groups to provide ways to communicate with the workforce about the importance of diversity.

DIVERSITY MANAGEMENT	
KEY ELEMENTS	SUGGESTED PERFORMANCE INDICATORS
<i>The agency has a diversity management system that:</i>	
	<ul style="list-style-type: none"> Managers, supervisors, and employees receive training from an agency-developed, diversity-related training curriculum. The respect for diversity index score from OPM's Federal Human Capital Survey indicates employees perceive their organization respects and welcomes the diversity that makes up the Federal workforce. Data on human resources program and system decisions/actions (e.g., complaints; personnel actions such as selections, promotions, and disciplinary actions) are analyzed in the context of empirical information about the agency's employment practices, to verify discrimination is not occurring. The agency provides resources in accessible formats. <p><u>Compliance Indicators</u></p> <ul style="list-style-type: none"> The Federal Equal Opportunity Recruitment Program (FEORP) [5 CFR 720.205], the Disabled Veterans Affirmative Action Program (DVAAP) [5 CFR 720.304], and other outreach programs are implemented in accordance with 5 U.S.C. 7201 and the following Federal Equal Employment Opportunity (EEO) laws: <ul style="list-style-type: none"> Title 7 of the Civil Rights Act of 1964 (Title 7) Equal Pay Act of 1963 (EPA) Age Discrimination in Employment Act of 1967 (ADEA) Title 1 and title 5 of the Americans with Disabilities Act of 1990 (ADA) Sections 501 and 505 of the Rehabilitation Act of 1973 Civil Rights Act of 1991. <p>[Note: The Equal Employment Opportunity Commission is the jurisdictional authority for the EEO laws listed immediately above, not</p>

Section IV: Results-Oriented Performance Culture System

DIVERSITY MANAGEMENT	
KEY ELEMENTS	SUGGESTED PERFORMANCE INDICATORS
<i>The agency has a diversity management system that:</i>	
	<p>OPM. These legal citations are listed for human capital practitioners' reference because agencies are subject to them.]</p> <ul style="list-style-type: none">• The agency has published up-to-date policies indicating zero tolerance for sexual harassment and discrimination in the workplace in accordance with EEOC guidelines, including 29 CFR 1604. [Note: This indicator is also under the jurisdiction of the EEOC.]

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RESULTS: LABOR/ MANAGEMENT RELATIONS

When the key elements of the critical success factor Labor/Management Relations are effectively implemented, agencies will realize the following results:

Effectiveness Result

- Managers effectively administer contractual and statutory provisions to accomplish agency goals; workplace conflicts are resolved fairly, promptly, and effectively; and managers, union officials, and employees work together to accomplish the agency's mission through effective communication and problem solving.

Compliance Result

- The agency recognizes the right of employees to organize, bargain collectively, and participate through labor organizations in accordance with 5 U.S.C. chapter 71.

The following page provides key elements and suggested performance indicators for this critical success factor.

LABOR/MANAGEMENT RELATIONS	
KEY ELEMENTS	SUGGESTED PERFORMANCE INDICATORS
<i>The agency has a labor/management relations system that:</i>	
<ul style="list-style-type: none"> Provides a process encouraging labor and management to jointly develop successful plans to accomplish organizational goals and to develop effective solutions to workplace challenges Sets the stage for effectively working through human capital issues Ensures management is aware of and properly applies collective bargaining agreements and satisfies statutory labor-management relations obligations. 	<p><u>Effectiveness Indicators</u></p> <ul style="list-style-type: none"> Data on complaints, grievances, and unfair labor practices are gathered, analyzed, and acted upon as appropriate. Data indicate problems are usually resolved at the lowest practicable level and management is complying with contractual and statutory requirements. Management works to resolve conflicts promptly and in a manner that enhances agency performance. The agency implements an alternative dispute resolution program to resolve employee/labor relations issues. The program achieves documented results in resolving problem situations. <p><u>Compliance Indicator</u></p> <ul style="list-style-type: none"> Recognized labor organizations are afforded the rights established in 5 U.S.C. 7101 or other congressionally-mandated enabling legislation.

SECTION V

Talent Management System



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SECTION V Talent Management System	The Talent Management System
	Recruitment
	Retention

THE TALENT MANAGEMENT SYSTEM

This section contains information specific to the Talent Management system, which focuses on agencies having quality people with the appropriate competencies in mission-critical activities.

"Given the interest in and the importance of the work of Government, we owe it to the American people to have hiring systems in place to ensure we have the right people on board doing the vital work of the Government."

OPM News Release, March 15, 2004

Definition

A system that addresses competency gaps, particularly in mission-critical occupations, by implementing and maintaining programs to attract, acquire, develop, promote, and retain quality talent.

Standard

The agency has closed skills, knowledge, and competency gaps/deficiencies in mission-critical occupations, and has made meaningful progress toward closing skills, knowledge, and competency gaps/deficiencies in all occupations used in the agency.

Critical Success Factors

The Talent Management system is comprised of two critical success factors that work together to ensure agencies have people with the right skills, in the right places, at the right times. Addressing the critical success factors helps eliminate gaps and deficiencies in the skills, knowledge, and competencies of employees of mission-critical occupations in the current and future workforce. The two success factors usually work together.

- *Recruitment*: The workforce plan drives the aggressive and strategic recruitment of diverse and qualified candidates for the agency's workforce.
- *Retention*: Leaders, managers, and supervisors create and sustain effective working relationships with employees. The workplace is characterized by:
 - A motivated and skilled workforce
 - Attractive and flexible working arrangements
 - Compensation packages and other programs used to hire and retain employees who possess mission-critical skills, knowledge, and competencies.

***Applicable Merit
System Principles***

The following merit system principles are especially relevant to the Talent Management system (5 U.S.C. 2301):

- Recruitment should be from qualified individuals from appropriate sources in an endeavor to achieve a work force from all segments of society, and selection and advancement should be determined solely on the basis of relative ability, knowledge and skills, after fair and open competition which assures that all receive equal opportunity. (5 U.S.C. 2301(b)(1))
- All employees and applicants for employment should receive fair and equitable treatment in all aspects of personnel management without regard to political affiliation, race, color, religion, national origin, sex, marital status, age, or handicapping condition, and with proper regard for their privacy and constitutional rights. (5 U.S.C. 2301(b)(2))

Required Outcome Metrics

The following are required outcome metrics for the Talent Management system.

Required Metric	Description	Purpose
Organization Metric: Competency Gaps Closed for Mission-Critical Occupations	Difference between competencies needed and competencies possessed by employees in mission-critical occupations	To determine how the agency should target its recruitment, retention, and development efforts to bring the competencies of its workforce into alignment with the agency's current and future needs
Employee Perspective Metric: Questions from Annual Employee Survey about Organizational Capacity	Items from Annual Employee Survey	To determine the extent to which employees think the organization has talent necessary to achieve organizational goals
Employee Perspective Metric: Questions from Annual Employee Survey about Employee Satisfaction	Items from Annual Employee Survey	To determine the extent to which employees are satisfied with their jobs and various aspects thereof
Merit System Compliance Metric: Merit-Based Execution of the Talent Management System	An assessment of compliance with merit system principles and related laws, rules, and regulations governing the Talent Management system	To determine decisions, policies, processes, and practices executed under the Talent Management system comply with the merit system principles and related laws, rules, and regulations

Suggested Metrics

In addition to the required outcome metrics, the following metrics associated with the Talent Management system are suggested.

Suggested Metric	Description	Purpose
Turnover of Employees in Mission-Critical Occupations	Percent of turnover	To track turnover of Federal employees in mission-critical occupations by reason for leaving
Turnover of Employees in Mission-Critical Occupations during Probationary Period	Percent of turnover among those serving in their probationary period	To determine how many new Federal employees in mission-critical occupations leave Federal service during their probationary period of employment and to determine whether their exit was voluntary or involuntary
Time To Hire	Average time from date vacancy closes to date offer is extended (expressed in working days)	To determine the efficiency of a critical phase of the Federal hiring process
Management Satisfaction with the Hiring Process	Management responses to items from Annual Employee Survey	To determine if hiring managers believe the recruitment and selection process achieves recruitment and retention goals
Applicant Satisfaction with the Hiring Process	A questionnaire published on OPM's USAJobs Web site	To determine if applicants have a favorable impression of the recruitment and selection process

SECTION V Talent Management System	The Talent Management System
	Recruitment
	Retention

RESULTS: RECRUITMENT

When the key elements of the critical success factor Recruitment are effectively implemented, agencies will realize the following results:

Effectiveness Results

- Workforce competency gaps are closed through the use of effective recruitment and retention strategies, creating a workforce capable of excellent performance in the service of the American people.
- Senior leaders and managers are involved in strategic recruitment and retention initiatives, which ensures the necessary organizational focus and resources are allocated to achieve recruitment and retention goals.
- Recruitment strategies are appropriately aggressive and multi-faceted to ensure a sufficient flow of quality applicants to meet staffing needs identified in the workforce plan, positioning the agency for successful program accomplishment.
- Flexible compensation strategies are used as needed to attract and retain quality employees who possess mission-critical competencies.
- Quality of work/life programs are provided and obstacles to recruitment and retention of a quality workforce have been addressed, positioning the agency to be successful in acquiring and retaining the talent needed for program goals and objectives.

Compliance Result

- Recruitment, hiring, and merit promotion processes adhere to the merit system principles in 5 U.S.C. 2301 and follow other pertinent legal and regulatory guidance (including but not limited to 5 U.S.C. 3101, 3102, 3301, 3302, 3308-3318, 3319, 3502, 3503; as well as 5 CFR 315, 316, 317, 330, 332, 335, 337, 338, 550; and other congressionally-mandated enabling legislation).

The Recruitment and Retention systems work together to produce many of these results.

The following pages provide key elements and suggested performance indicators for this critical success factor.

RELATED TOOLS

The following tools support Recruitment. Refer to Appendix A for tools.

Tool	Appendix A Page Number
Incentives and Employee Recognition	129
Federal Hiring Flexibilities Resource Center	133
Federal Hiring Process Models: Improving Speed in Federal Hiring	137
10 Hiring Fixes – Ten Things <u>You</u> Can Do To Improve Federal Hiring	143
Other Strategies To Meet Hiring Requirements	145

RECRUITMENT	
KEY ELEMENTS	SUGGESTED PERFORMANCE INDICATORS
<i>The agency has a recruitment system that:</i>	
<ul style="list-style-type: none"> Identifies the challenges involved in attracting a high-quality workforce Establishes competency gap reduction goals and develops action plans to address current and future competency gaps Uses appropriate hiring flexibilities and tools Attracts and hires applicants who possess needed mission-critical competencies 	<p><u>Effectiveness Indicators</u></p> <ul style="list-style-type: none"> The goals of recruiting for mission-critical occupations and competency gap reduction are established and documented in the agency's strategic planning (or strategic human capital planning) process and tracked through the agency's accountability system. Recruitment strategies are created to maintain mission-critical competencies at the desired level using business forecasting and workforce analysis results. Statistical data are analyzed related to the relative success of various types of appointments and recruitment flexibilities. The agency conducts "lessons learned" or other evaluation activities and uses the findings to make improvements. New hire follow-up (e.g., supervisory assessment of the employee's productivity, adjustment to the job, and adjustment to the work environment) is conducted. <p><u>Compliance Indicators</u></p> <ul style="list-style-type: none"> The agency closes skill gaps in mission-critical occupations in accordance with the Chief Human Capital Officers Act (CHCO Act) (5 U.S.C. 1103(c)). When OPM delegates examining or other personnel management authorities to the agency under the auspices of 5 U.S.C. 1104, the agency complies with the standards established by OPM and with merit system principles.

RECRUITMENT	
KEY ELEMENTS	SUGGESTED PERFORMANCE INDICATORS
<i>The agency has a recruitment system that:</i>	
<ul style="list-style-type: none"> Involves senior leaders and managers in recruitment planning and the implementation of strategic recruitment initiatives to attract talent 	<p><u>Effectiveness Indicators</u></p> <ul style="list-style-type: none"> Adequate staff with the requisite competencies are allocated to the recruitment and hiring process commensurate with workload. Senior leaders and managers manage resources and participate in job analysis and in the planning, communication, and evaluation of recruitment strategies. Information is provided to senior managers on a regular basis including: <ul style="list-style-type: none"> Actual versus budgeted staffing levels Recruitment effectiveness based on an assessment of the quality of hires, timeliness in filling positions (e.g., use of 45-day model, 30-day model for Senior Executive Service (SES), or similar hiring model), and diversity statistics Turnover rate for mission-critical occupations by grade/pay band and location. Senior leaders and managers assist human resources (HR) staff in implementing strategic recruitment initiatives, including participation in such activities as recruitment fairs and outreach programs and visits to schools. Training classes, intranet, and other forms of guidance provide information to senior leaders and managers on available staffing options. <p><u>Compliance Indicator</u></p> <ul style="list-style-type: none"> As prescribed by the CHCO Act (5 U.S.C. 1103(c)), the agency holds managers accountable for effective and efficient human resources management that supports the mission in accordance with merit system principles.

RECRUITMENT	
KEY ELEMENTS	SUGGESTED PERFORMANCE INDICATORS
<i>The agency has a recruitment system that:</i>	
<ul style="list-style-type: none"> Utilizes aggressive and multi-faceted strategies when competing for desired talent 	<p><u>Effectiveness Indicators</u></p> <ul style="list-style-type: none"> The agency's recruitment strategies include assessment of sources, such as professional organizations, colleges/universities, veterans' organizations, state and private disability and rehabilitation offices, and community groups likely to yield high quality and diverse candidates. Recruitment strategies have been developed based on an analysis of the primary sources for qualified applicants. Ongoing relationships are established and maintained with recruitment sources such as: <ul style="list-style-type: none"> Colleges and universities, outplacement organizations, professional associations Veterans' organizations and special programs for veterans (e.g., Veterans Invitational Program (VIP)) Recruitment fairs (e.g., fairs sponsored by the Office of Personnel Management (OPM) or special interest groups) Special programs/organizations supporting people with disabilities (e.g., Department of Defense (DoD) Computer/Electronic Accommodation Program (CAP), deaf and hard of hearing in Government, rehabilitation institutions, vocational rehabilitation). Recruitment flexibilities and appointing authorities authorized by OPM (e.g., direct hire, category rating, language expertise) are publicized widely throughout the agency and are used to enhance recruitment scope and timeliness.

RECRUITMENT	
KEY ELEMENTS	SUGGESTED PERFORMANCE INDICATORS
<i>The agency has a recruitment system that:</i>	
	<ul style="list-style-type: none"> • Additional recruitment flexibilities are requested if needed and are justified by a human capital business case. Necessary funding is provided to support implementation of the flexibilities. • Managers are able to make valid selections from lists of high-quality candidates.
<ul style="list-style-type: none"> • Reviews recruitment, hiring, and merit promotion programs to ensure fair hiring and assess overall results 	<p><u>Effectiveness Indicators</u></p> <ul style="list-style-type: none"> • Recruitment activities are evaluated to assess factors such as: <ul style="list-style-type: none"> – Return on investment – Cost effectiveness of various media and other recruitment sources in generating qualified and available applicants – Quality and quantity of applicants – Timely notification of applicants throughout the selection process regarding the status of their resumé/application – Timeliness (e.g., use of 45-day model, 30-day model for SES, or similar hiring models) – Applicant and manager satisfaction with the application process – Reasons for declination of job offers – Recruitment strategies and flexibilities that are most effective in meeting agency needs – Reasons (e.g., poor fit between the employee and job requirements) for resignations and separations within the first year after appointment. • Managers and HR staff are trained on the merit system principles, legal requirements, and other policies governing Federal employment. • Audit and evaluation results (e.g., OPM, Government Accountability Office (GAO), and Inspector General (IG)) are used to drive process changes when systemic problems are identified.

RECRUITMENT	
KEY ELEMENTS	SUGGESTED PERFORMANCE INDICATORS
<i>The agency has a recruitment system that:</i>	
	<p><u>Compliance Indicators</u></p> <ul style="list-style-type: none"> • The agency examines (when authorized by OPM delegation), appoints, promotes, and reassigns employees consistent with merit system principles (5 U.S.C. 2301) and other pertinent laws, rules, and regulations (e.g., the Uniform Guidelines in 5 CFR 300.103). • The agency's annual self-audit of delegated examining operations demonstrates operations are accomplished in accordance with OPM procedural requirements as delegated under the authority of 5 U.S.C. 1104.
<ul style="list-style-type: none"> • Ensures application and decision-making processes are not unduly burdensome or time consuming. 	<p><u>Effectiveness Indicators</u></p> <ul style="list-style-type: none"> • The agency establishes an "applicant friendly" process for applying for jobs that includes: <ul style="list-style-type: none"> – Vacancy announcements, application instructions, recruitment brochures, and marketing products that target the desired applicant pool(s) and are clearly written in plain language, attractive, and informative; are easily accessible; and highlight benefits (e.g., work/life flexibilities, Federal Employees Health Benefits, Employee Assistance Program, Flexible Spending Accounts, defined-benefit pension plan, Thrift Savings Plan, life insurance, and long-term care insurance) – Regular communication about the status of an individual's resume/application as well as answers to applicant questions (as evidenced by correspondence records) – A timely decision-making process. • Data from applicant surveys and entrance interviews reflect a positive experience for applicants. • Length of time to hire is consistent with recommended hiring models.

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SECTION V Talent Management System	The Talent Management System
	Recruitment
	Retention

RESULTS: RETENTION

When the key elements of the critical success factor Retention are effectively implemented, agencies will realize the following results:

Effectiveness Results

- Workforce competency gaps are closed through the use of effective recruitment and retention strategies, creating a workforce capable of excellent performance in the service of the American people.
- Senior leaders and managers are involved in strategic recruitment and retention initiatives, which ensures the necessary organizational focus and resources are allocated to achieve recruitment and retention goals.
- Flexible compensation strategies are used as needed to attract and retain quality employees who possess mission-critical competencies.
- Quality of work/life programs are provided and obstacles to recruitment and retention of a quality workforce have been addressed, positioning the agency to be successful in acquiring and retaining the talent needed for program goals and objectives.

Compliance Result

- Retention policies and practices adhere to merit system principles set forth in 5 U.S.C. 2301 and other Federal laws, rules, and regulations (e.g., 5 U.S.C. 5301 and 5706; the Federal Workforce Flexibility Act of 2004; 5 CFR 531, 550, and 575).

The Recruitment and Retention systems work together to produce many of these results.

The following pages provide key elements and suggested performance indicators for this critical success factor.

RELATED TOOLS

The following tools support Retention. Refer to Appendix A for tools.

Tool	Appendix A Page Number
Incentives and Employee Recognition	129
Benefits	153
Compensation Flexibilities	161
Federal Human Capital Survey (FHCS): Questions Related to the Talent Management System	175
Workforce Shaping and Restructuring: VERA and VSIP	181
Work Arrangements and Quality of Work/Life	185

RETENTION	
KEY ELEMENTS	SUGGESTED PERFORMANCE INDICATORS
<i>The agency has a retention system that:</i>	
<ul style="list-style-type: none"> Utilizes flexible compensation strategies to retain employees who possess mission-critical competencies 	<p><u>Effectiveness Indicators</u></p> <ul style="list-style-type: none"> The agency's strategic, performance, and/or strategic human capital plans and policies promote appropriate use of compensation flexibilities (e.g., recruitment bonuses, relocation bonuses, retention allowances) to attract and retain high-quality employees who possess mission-critical competencies. The agency also makes a successful case to support funding. Written policies and procedures describe guidelines for use of compensation flexibilities in meeting the agency's need for highly qualified employees consistent with legal requirements governing the use of the flexibilities. Managers have been informed about and use available compensation flexibilities where justified. Incentive and recognition programs are established, budgeted, and implemented to focus on retention of high performing employees with mission-critical competencies. Use of compensation flexibilities and awards is analyzed to determine whether there is a discernable relationship between the use of the flexibilities and successful recruitment and retention of high-quality employees in mission-critical occupations. The analysis includes consideration of retention and exit interview information. <p><u>Compliance Indicator</u></p> <ul style="list-style-type: none"> When OPM delegates examining or other personnel management authorities to the agency under the auspices of 5 U.S.C. 1104, the agency complies with the standards established by OPM and merit system principles.

RETENTION	
KEY ELEMENTS	SUGGESTED PERFORMANCE INDICATORS
<i>The agency has a retention system that:</i>	
<ul style="list-style-type: none"> • Develops short- and long-term strategies and targeted investments in current employees to eliminate competency gaps in mission-critical occupations • Trains the current workforce in mission-critical competencies needed by the agency 	<p><u>Effectiveness Indicators</u></p> <ul style="list-style-type: none"> • Strategies are developed and implemented for reducing competency gaps through training, development, or alternative sources (e.g., intern program, contractor outsourcing). • Staffing, training, and performance data indicate success in closing competency gaps.
<ul style="list-style-type: none"> • Documents planned and completed retention activities, including requested budget funding, staff allocation, and management accountability 	<p><u>Effectiveness Indicators</u></p> <ul style="list-style-type: none"> • Retention trends are tracked and analyzed by the appropriate management level. • Exit interviews are conducted and data/information are analyzed at the appropriate level to allow supervisors and managers to address retention. • Senior leaders and managers manage resources and participate in the planning, communication, and evaluation of retention strategies. Senior leaders and managers and first-line supervisors implement strategic retention initiatives in partnership with HR. • Appropriate metrics, as defined by OPM guidance or developed by the agency, are reported to senior managers and human resource executives to assess the outcomes from retention strategies. • Policies and procedures are established indicating how retention activities are evaluated.

RETENTION	
KEY ELEMENTS	SUGGESTED PERFORMANCE INDICATORS
<i>The agency has a retention system that:</i>	
<ul style="list-style-type: none"> Creates a productive, supportive work environment through a variety of programs, such as telework, childcare assistance, fitness centers, health assessments, safety seminars, employee assistance programs, parking facilities, and transit subsidies. 	<p><u>Effectiveness Indicators</u></p> <ul style="list-style-type: none"> The agency has determined which quality of work/life programs meet the needs of the workforce and has implemented programs to promote flexible working arrangements and to sustain a productive, supportive work environment. Senior leaders and managers promote the use of quality of work/life programs and provide resources necessary to establish and sustain these programs to create an effective environment. Policies and procedures describe guidelines for flexible working arrangements, including: <ul style="list-style-type: none"> Temporary, term, and seasonal appointments Flexible and/or part-time work schedules Telework, including technology required to support it, where appropriate. Policies and procedures describe guidelines for sustaining a productive, supportive work environment, including: <ul style="list-style-type: none"> Ergonomic work stations Reasonable accommodation Child care/elder care assistance Wellness programs (e.g., fitness centers, health assessments) Employee Assistance Program Safety inspections and education Parking facilities and transit subsidies Benefits (e.g., Federal Employees Health Benefits, Thrift Savings Plan, Flexible Spending Accounts, defined-benefit pension plan, life insurance, and long-term care insurance).

RETENTION	
KEY ELEMENTS	SUGGESTED PERFORMANCE INDICATORS
<i>The agency has a retention system that:</i>	<ul style="list-style-type: none"> • These policies and procedures have been communicated to the workforce and prospective applicants via Web pages, letters from the CHCO, recruitment materials, vacancy announcements, job fair announcements, or other methods. • The cost and benefits of quality of work/life programs are evaluated (e.g., surveys, entrance and exit interviews) to determine if they are perceived by employees as creating a positive work environment, are meeting an identified workforce need, and are contributing to recruitment and retention goals. <p><u>Compliance Indicators</u></p> <ul style="list-style-type: none"> • The agency operates work/life programs in accordance with governing laws, rules, and regulations (e.g., telework (Public Law No. 106-346, Section 359), flexible work schedules (5 CFR 610), transit subsidies (Executive Order 13150)). • On-the-job injury and other Workers' Compensation claims are filed in accordance with 5 U.S.C. 8102, 20 CFR parts 1-25, and other guidelines of the Office of Workers Compensation Programs (OWCP). • The agency has an emergency preparedness plan in place in accordance with OPM's requirements for individual agencies, as outlined in OPM's Federal Manager's/Decision Maker's Emergency Guide and in accordance with GSA's guidance on occupant emergency plans (Executive Orders 12656 and 12472).

SECTION VI

Accountability System



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SECTION VI

Accountability System

The Accountability System

THE ACCOUNTABILITY SYSTEM

This section contains information specific to the Accountability system. The Accountability system provides consistent means to monitor and analyze agency performance on all aspects of human capital management policies, programs, and activities, which must themselves support mission accomplishment and be effective, efficient, and in compliance with merit system principles.

"Now more than ever, organizational leaders need to be adept at redefining goals and objectives to deliver improved return on human capital investment."

*2004 Workforce Diagnosis System Executive Summary
The Saratoga Institute*

Definition

A system that contributes to agency performance by monitoring and evaluating the results of its human capital management policies, programs, and activities; by analyzing compliance with merit system principles; and by identifying and monitoring necessary improvements.

Standard

Agency human capital management decisions are guided by a data-driven, results-oriented planning and accountability system.

Results of the agency accountability system must inform the development of the human capital goals and objectives, in conjunction with the agency's strategic planning and performance budgets.

Effective application of the accountability system contributes to agencies' practice of effective human capital management in accordance with the merit system principles and in compliance with Federal laws, rules, and regulations.

***Applicable Merit
System Principles***

The following merit system principle is especially relevant to the Accountability system:

- All employees should maintain high standards of integrity, conduct, and concern for the public interest. (5 U.S.C. 2301(b)(4))

Metrics

This system is assessed based on documented evidence of a Human Capital Accountability System that provides for annual assessment of agency human capital management progress and results including compliance with relevant laws, rules, and regulations. The system will:

- Be formal, documented, and approved by OPM
- Be supported and resourced by agency leadership
- Measure and assess all human capital management systems for mission alignment, effectiveness, efficiency, and compliance with merit system principles, laws, and regulations
- Include an independent audit process with periodic review of human resources transactions to insure legal and regulatory compliance
- Ensure action is taken to improve human capital programs and processes and correct deficiencies
- Ensure results are analyzed and reported to agency management and OPM.

Agencies are required under 5 CFR 250.203 to submit the Agency Human Capital Accountability Report described by this system to OPM for review and approval on an annual basis. This Accountability Report supports the systems of oversight prescribed by 5 CFR 250.102.

Results

When the key elements of the Accountability system are effectively implemented, agencies will realize the following results:

Effectiveness Results

- The agency has documented its human capital management processes, measures, and results; evaluated its accomplishments; and reported findings to agency decisionmakers and other stakeholders.
- Agency leadership demonstrates commitment to the accountability system, based on OPM's requirements, through its actions and allocation of appropriate resources.
- The agency conducts a continuous assessment of its human capital practices to ensure they are sound, produce results, and adhere to merit systems principles, laws, and regulations. The agency provides an annual report, which identifies areas needing improvement. A process is in place that assigns responsibility for taking corrective action resulting in improved human capital strategies and program integrity.

Compliance Results

- In accordance with Civil Service Rule X, the agency has established and maintains a system of accountability that meets OPM's requirements for a sound human capital accountability system, measures effectiveness in meeting the requirements, and corrects deficiencies in meeting the requirements.
- As provided in the Chief Human Capital Officers Act of 2002 (CHCO Act) (5 U.S.C. 1103(c)), the agency holds managers and human resources officers accountable for efficient and effective human resources management in support of the agency's mission in accordance with merit system principles.

Section VI: Accountability System

- Human capital programs, activities, and practices are evaluated in accordance with law, regulation, and public policy within the Leadership and Knowledge Management, Results-Oriented Performance Culture, and Talent Management systems.

The following pages provide key elements and suggested performance indicators for this system.

ACCOUNTABILITY SYSTEM	
KEY ELEMENTS	SUGGESTED PERFORMANCE INDICATORS
<p><i>To ensure the agency's human capital practices support its mission and are based on merit system principles, the agency has an accountability system that:</i></p>	
<ul style="list-style-type: none"> • Is designed and conducted in accordance with OPM requirements • Is formal and clearly documented, including description of agency system, statement of agency policy, key responsibilities, outcomes and measures, milestones, and results • Is fully supported by top management, including review and approval of the system and allocation of sufficient resources to promote and support the system • Ensures managers are held accountable for their human capital and human resources decisions and actions • Evaluates human capital results vis-à-vis agency mission goals and objectives and measures; assesses compliance of HC programs and decisions with laws, rules, and regulations; and identifies and resolves significant problems. The system should cover all human capital systems and include the following: <ul style="list-style-type: none"> – Measures identified to address: 	<p><u>Effectiveness Indicators</u></p> <ul style="list-style-type: none"> • Human capital program management guidelines, authorities, processes, measures, and accountabilities are issued via agency policy and procedural issuances and are accessible to agency managers, supervisors, and employees. • Key leaders and subordinate managers and supervisors throughout the agency have at least one performance element relating to achieving human capital outcomes. • Human capital risks are tracked, documented, and reported to a central advisory or management board, and action is taken to mitigate high-risk areas. • Program and initiative implementation efforts include published plans that clearly outline roles, responsibilities, reviews, and desired outcomes. • Accountability for implementing improvement strategies for each initiative or program is assigned and resources are provided to accomplish the resulting actions. • Assessment results are provided to senior management and action is taken to communicate best practices, improve current practices, and correct problem areas. • A process is in place to identify problems that pose high risk to organizational integrity including: <ul style="list-style-type: none"> – Financial or legal threats – Systemic violations of employee protections or veterans' preference – Potential loss of integrity in the public eye.

ACCOUNTABILITY SYSTEM	
KEY ELEMENTS	SUGGESTED PERFORMANCE INDICATORS
<i>To ensure the agency's human capital practices support its mission and are based on merit system principles, the agency has an accountability system that:</i>	
<ul style="list-style-type: none"> ◆ Success in supporting agency mission accomplishment ◆ Effectiveness of human resources (HR) programs ◆ Efficiency of HR processes ◆ Programmatic and transactional compliance with laws, rules, and regulations. – Data collection and analysis processes to support the measures – Periodic review of HR transactions to ensure compliance with legal, regulatory, and specific agency requirements; corrective action taken in cases of noncompliance – An independent audit (i.e., one conducted by individual(s) outside of the operations management chain of command) to obtain and objectively evaluate evidence – Results used to improve human capital programs and the human capital accountability system. 	<ul style="list-style-type: none"> • Analysis of workforce survey results related to the effectiveness of the Leadership and Knowledge Management, Results-Oriented Performance Culture, and Talent Management systems indicates employees perceive their agencies as high-performing workplaces where their skills and abilities are used well. • Human capital data are current and accurate as indicated by documentation. • OPM evaluations, agency reviews, and/or other human capital assessments indicate: <ul style="list-style-type: none"> – Programs and processes are efficient, effective, and compliant. – The agency meets measures of success as reflected in strategic human capital plans.

ACCOUNTABILITY SYSTEM	
KEY ELEMENTS	SUGGESTED PERFORMANCE INDICATORS
<p><i>To ensure the agency's human capital practices support its mission and are based on merit system principles, the agency has an accountability system that:</i></p> <ul style="list-style-type: none"> • Evaluates specific human resources programs (recruitment and staffing, performance management, training, awards, other, etc.) • Provides for evaluation of human capital and human resources activities throughout the organization (e.g., component/geographic), including individual HR transactions • Ensures human capital results and merit system compliance are determined and reported to management and OPM • Evaluates the effectiveness of the accountability system itself • Promotes continuous improvement, which is reflected in updates to the strategic human capital plan. 	<ul style="list-style-type: none"> • Individual human capital programs are developed and implemented to do the following: <ul style="list-style-type: none"> – Establish clear responsibility for the program – Establish clear authority for enacting and evaluating the program – Clarify consequences of success or failure – Identify baseline performance – Set program goals – Set program milestones – Identify key measures – Collect appropriate data – Track progress – Develop and implement an ongoing evaluation plan – Evaluate program results – Identify opportunities for program improvement – Implement improvements – Monitor success of improvements – Provide progress reports on schedule. <p><u>Compliance Indicators</u></p> <ul style="list-style-type: none"> • In accordance with Civil Service Rule X, the agency has established and maintains a system of accountability that meets OPM's requirements for a sound human capital accountability system, measures effectiveness in meeting the requirements, and corrects deficiencies in meeting the requirements.

ACCOUNTABILITY SYSTEM	
KEY ELEMENTS	SUGGESTED PERFORMANCE INDICATORS
<i>To ensure the agency's human capital practices support its mission and are based on merit system principles, the agency has an accountability system that:</i>	
	<ul style="list-style-type: none"> • In accordance with the Executive Performance and Accountability Interim Rule (5 CFR 430 and 1330), the agency's appraisal system for senior executives provides for balance; in addition to expected results, the performance expectations for individual senior employees include: <ul style="list-style-type: none"> – Appropriate measures or indicators of employee and/or customer/stakeholder feedback – Quality, quantity, timeliness, and cost effectiveness measures. • As provided in the CHCO Act (5 U.S.C. 1103(c)), the agency holds managers and human resources officers accountable for efficient and effective human resources management in support of the agency's mission in accordance with merit system principles.