Ensuring Human Capital Capabilities and Capacity During Organizational Change

NATIONAL ACADEMY OF PUBLIC ADMINISTRATION®

Introduction

As the federal government goes through major reform and restructuring, the National Academy of Public Administration (Academy) is offering its expertise and long history in public administration to develop a series of products to help guide public institutions and leaders through these changes. Each product is developed by Academy staff in collaboration with Academy Fellows and informed by past reports. Federal entities are at different stages of transformation and change. Therefore, while the guidance is not one-size-fits-all, it does provide considerations intended to support all departments and agencies. In addition to these products, the Academy staff and its Fellows stand ready to be a resource for public institutions as they restructure and rebuild to ensure they can continue their mission of serving the American people.

> Effective change will require developing a detailed plan, monitoring capacity, inventorying skills, managing knowledge, and respecting all involved.

This paper focuses on human capital and human resource considerations that arise as agencies change how they carry out their operational functions in delivering their mission; what are the human capital implications of restructured functions across the entire agency workforce, and does the agency have sufficient human resources staff to implement the changes? Agency functions and staff may be reduced and or repositioned through realignment, transfer—either intra- or inter-agency, relocation, consolidation, outsourcing by contracts or grants to professional contractors or non-governmental organizations, devolution to state or local government by congressional action, or even outright elimination. This paper will use the terms "realignment, transfer, or relocation" to capture all the possibilities described above unless otherwise noted.

Written to inform the point of view of senior officials, this paper includes **Questions for Consideration**, which presents the big consequential questions that need to be asked by agency leadership to ensure human capital and human resources are capable and at sufficient capacity to deliver the agency's mission; **Reallocating Workforce and Responsibilities for Operational Functions** which discusses major themes among the questions and provides additional considerations for agency leaders; and **Best Practices and Expertise** which presents change management and human capital and human resources recommendations from recent Academy agency studies.

Questions for Consideration

The following questions are for agency leadership—political appointees and career civil servants—to consider as they evaluate the current state of their agency's human capital and human resources.

Agency Leaders	Questions and Considerations
Political Appointee	• Do I understand the Administration's priorities for my Agency's mission and its impact on the human capital needed to carry it out? • Have I met with my career/appointee direct reports and chief officers to design a more effective organization to meet that mission? Have I assured them that their ideas will be considered? • How will I demonstrate the performance of the agency, and how will its efficient and effective use of resources be measured? • Do I need the support of authorities delegated from OPM, OMB, or GSA to process the agency's reorganization efforts? Do I need to develop a legislative proposal for congressional approval? • How will employee morale and organizational culture evolve through reorganization? How will I manage morale and culture through the change process? • Am I communicating appropriately with the White House, Congress, and the media about changes already underway or coming? • Am I communicating effectively with agency leadership and staff? Are staffing plans for the agency being clearly communicated and made available? • Are workforce reductions or realignments, transfers, relocations, or eliminations reflected in the OMB budget? Is Congressional action required? • Have I supported my chief officers in their councils (Chief Financial Officer, Chief Human Capital Officer, Chief Information Officer) where government-wide solutions can be discussed/implemented? Do I understand the role and importance of these councils? • With personnel reductions, and or realignments, transfers, relocations, consolidations, or elimination of functions, are my agency's mission support services (IT, procurement, finance, budget, etc.) adequate to support mission functions?
Career Civil Service	• Have I provided my best advice to my political leadership on ensuring the agency's mission in light of the agency's reorganization? • Will the agency retain accountability for or oversight of functions that were moved, devolved to the states or local governments, or eliminated? • Have I considered the human capital implications of my agency's restructured functions? Has Congress sanctioned or endorsed a new structure to fit the agency's mission? Does it need to? • Have I assessed the impact of voluntary and involuntary workforce reductions that have already taken place on my agency's capability, capacity, or organizational culture? Have I communicated this to my political leadership? • What is the cumulative impact on the federal workforce that remains in the agency? Are they in the right place? Does it have the right skills? • What is the impact on federal employees departing voluntarily or involuntarily from their positions? Are there strategies in place to assist with managing the transition of these departing employees? • Have agency managers been informed of and equipped for their current and new functions by their senior leadership? • Does the agency have access to non-federal providers to supply human capital support for the agency's mission? Have their task orders, contracts, and grants been modified to inform them of their current and new functions? Is the agency allowed to enter into new support agreements? • If more workforce reductions or relocations, transfers, consolidations, or eliminations of functions are planned, do I need to continue to plan to reorganize the structure and function of my organization? • Have I provided and described the impacts of the Federal Employee Viewpoint Survey?

Reallocating Workforce and Responsibilities for Operational Functions

In light of significant federal organizational reconfigurations, reductions in federal and non-federal workforces (both voluntary and involuntary), and reallocation and or modernization of functions (e.g., the rapid acquisition and 'agile' introduction of new technology), leaders and managers remain accountable for meeting their agency's statutory mission. Agency leaders should acknowledge that they are responsible for overseeing more than the federal workforce. Chief Human Capital Officers (CHCOs) and bureau-level equivalents have a responsibility to ensure the agency has the necessary skills available to support the mission with career staff, other agencies, or non-federal providers. CHCOs and bureau-level equivalents are responsible for ensuring the agency has sufficient human resources staff to manage and implement changes to operations. Together, agency leaders, chief officers, and bureau-level equivalents are co-responsible for delivering the agency's mission.

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The focus of agency missions may be changing, and agency leaders (both career and political) must adjust their operations and staffing accordingly. Agency functions and workload may be moved to another part of the agency or geographic location, reallocated to another agency, consolidated, outsourced to contractors and or nonprofits, devolved to state and or localities, streamlined using technology, or eliminated altogether. Throughout this period of change, managers who are gaining functions should minimize disruptions to mission delivery while concurrently integrating the relocated functions and workload with or without relocated staff or non-federal providers. Conversely, managers who are losing functions and or workforce must reorganize operations to manage their remaining tasks and employees efficiently. Implementing either of these changes will require managers' effective use of their human capital resources. Furthermore, the Administration has made significant proposed changes to the Senior Executive Service and re-classification of selected federal workers into the "Schedule Policy/Career," formerly known as Schedule F, and further memoranda are anticipated. These ongoing initiatives will directly impact human capital resources as reclassification of positions will likely impact recruitment, retention, and morale, and should be considered as workforce changes continue.

Maintaining Human Capital Resources for Mission Delivery

Agency leaders (political and career) need to be clear on what the mission functions are and how they will be implemented with available resources. What are the requisite authorities, flexibilities, skill sets, and staffing levels needed to manage organizational change and functions? Will the agency retain accountability for or oversight of functions that were moved, devolved to the states or local governments, or eliminated? Given an agency's shift in how the mission is operationalized, what types of skills and at what capacity are needed to be effective? To whom should authorities be delegated? Career Managers need to know the expectations of their senior leadership as it pertains to when and where line staff must be, and how they will carry out their current or new work assignments. If it is determined that human capital resources are insufficient after the organizational change, leaders at all levels must explore ways to assist the agency in acquiring the necessary resources. This may require seeking new authorities such as direct hire, critical pay, Voluntary Early Retirement Authority, Voluntary Separation Incentive Payment, annuity offset waivers, etc., from OPM, another central management agency, or Congress. This may require a legislative proposal for congressional review and approval. If it is determined that human capital and capacity are sufficient, leaders can focus on how the workforce should be reorganized to implement the agency's mission, including possible realignment, relocation, consolidation, or elimination of additional functions.

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Human Capital Resources—Capabilities and Capacity

From a human capital lens, understanding the methods to handle any critical capabilities or capacities that have been retained, realigned, consolidated, degraded due to attrition, or eliminated, and implementing the revised delegation of tasks at the workforce level of the agency is imperative to the reorganization and proper management of employees. Chief Human Capital Officers (CHCOs), bureau-level and equivalent HR Directors, and equivalents must consider the human capital implications of restructured functions across the entire agency workforce and ensure the agency has sufficient human resources staff to implement the changes.

As part of the Agency RIF and Reorganization Plans, every federal agency has been asked to identify voluntary and or involuntary reductions for its federal workforce. Therefore, leaders should assess whether their career staff have the knowledge and experience to conduct separation actions properly, and if not, provide additional staffing, contractors, training, or other assistance to obtain them. For example, does the current human resources staff know if the agency has the appropriate delegated authorities, standard operating procedures, organizational polices, and other documentation required or necessary to conduct the Administration's proposed personnel actions? At the senior leadership level, have the agency's chief officers engaged the expertise and guidance of the central management agencies (Office of Personnel Management, Office of Management and Budget, and General Services Administration) where needed, identified which of their authorities are essential to the agency's efforts, or argued for additional resourcing or

flexibilities? Where appropriate, have senior leaders sought advice from the federal Chief Executive Councils (i.e., CFO, CHCO, and CIO) to learn how other agencies are conducting similar efforts? The answer to each of these questions brings agency leaders closer to understanding their organization's capability for implementing the Administration's requested personnel changes.

Personnel Separations and Non-Federal Providers

Political and career leaders must identify the impact of voluntary and involuntary separation actions that have already occurred on the agency's federal workforce. Does the agency retain accountability or oversight of functions that were outsourced or eliminated? What capacities or capabilities were lost or transferred? What remaining functions were impacted because staff or non-federal providers were moved or separated from the agency? Can the remaining work be reassigned to other individuals in this agency? In another? Can they be outsourced, devolved, or eliminated altogether? Do the staff of those alternatives have the technical knowledge required? It is critical for agency leaders to have adequate access to alternative internal providers or non-federal providers with the capacity to complete the personnel changes requested and reorganize the remainder of the staff workforce. Where there are needed institutional capabilities that have been impacted due to workforce reductions or loss of expert staff or are lacking due to the addition of mission functions and oversight responsibilities, leaders will have to seek temporary support from all available sources, such as other parts of their organization, other agencies, or non-federal providers, to meet needs in the immediate term.

In the medium to longer term, non-federal providers should be considered to supplement (or, in some cases, to replace) both agency-wide human capital and human resources needs to fulfill the agency's mission functions, at least in those non-inherently governmental functions that can be changed. These non-federal providers include professional contractors, non-governmental organizations, grantees, states and local governments, and others. Automating manual activities with technological solutions also should be considered to meet agency needs; agency leaders will have to determine which providers and or technologies are optimal, and what types of workforce skills will be needed to manage the implementation projects and operate the systems in the long term. These skills inventories and reviews are crucial to effective human capital management and should be done after any significant workforce reduction.

Managing Employee Culture and Morale

Political and career leaders must build trust with and among the staff, especially during times of organizational change when employees are impacted by either voluntary or involuntary separation from their agency. Employees need a communicative and healthy environment to continue to be innovative and productive. Therefore, a reorganization plan that is collaborative and clearly communicated should be made available to the workforce. Without a roadmap, staff cannot work towards the future state of the organization. Employee engagement and feedback on the plan are essential to making the transition successful. Furthermore, Government Performance and Results Act

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performance measures (focused on goal setting, performance measurement, and reporting) should be revisited and, where necessary, revised or established, in addition to current program measures, to evaluate the impact of the new arrangements on staff oversight responsibilities and workload. Moreover, significant changes in performance standards for Senior Executive Service will impact implementation; codifying changes in performance standards and modifying position descriptions where necessary are the best ways to help all employees understand what is expected of them. Finally, Federal Employee Viewpoint Survey scores can provide comparable data to track any changes in employee satisfaction over time, if the survey continues to be administered.

The remaining workers need to feel supported and confident in their ability to perform their jobs; however, they may be impacted, while a lack of support can negatively impact their productivity. To provide support, agency leaders should review how revised staff authorities and responsibilities are communicated through training, standard operating procedures (SOPs), an updated organizational chart, and other documentation to ensure staff are informed about their roles. Establishing clear processes helps avoid uncertainty, leading to quicker implementation and decision-making. Additionally, as noted in the Academy's Agency Leadership Paper, support of and demonstrated confidence in the workforce is essential for building trust among leaders and staff in the new organization.

Impact on Departing Employees and the Agency

For federal employees who have been or will be separated, it is crucial to treat them with dignity as they transition while understanding the broader impact that their transition can have on the agency's organizational culture. Has the employee been provided with the necessary tools for a smooth transition, such as post-employment counseling, placement assistance, retirement, or other available services? Conducting necessary separations that allow employees to retain their dignity ultimately benefits the individual and the morale and culture of the remaining workforce. Additionally, this approach could prove advantageous should the agency determine in the future that staff should be recalled.

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As federal agencies reduce their total workforce numbers and realign, relocate, consolidate, or eliminate functions, leaders will have to assess the impact of those decisions on the workforce and the agency's workflows and processes, as well as its technology. Leaders should know where the agency stands after workforce losses (both temporary and more permanent) in terms of human capital capacity (size), capabilities (skills and skills mix), morale, and culture to be able to effectively reorganize the staff. The agency's human resources workforce will have to assist in assessing the human capital status of the agency's mission-critical and support functions and resources (e.g., facilities, procurement, information technology, etc.) across the agency. Deficiencies (both temporary and more permanent) in these areas should be made known to career and political leaders as appropriate so that they can be mitigated and addressed. Conducting an impact assessment on mission delivery will be important to pinpoint potential vulnerabilities. Immediate deficiencies directly resulting from the separation of workforce staff

or relocation of an internal function may require emergency action by leaders (in some cases, inherently governmental actions) to find temporary solutions, such as seeking assistance from other parts of the agency, other federal agencies, non-federal governmental partners, or non-governmental organizations while safeguarding confidentiality, personally identifiable information, and other statutorily protected data.

Best Practices and Expertise

Academy Fellows have been instrumental in providing subject-matter expertise and recommending actions that agencies can take to ensure employees can work effectively and efficiently through change. It is important to develop strategic human capital plans to understand the staffing and skill sets needed to support the workload, both in the short term and long term. This need has been noted in multiple Academy studies, most recently in National Science Foundation's (NSF) Directorate for Technology, Innovation and Partnerships, National Oceanic and Atmospheric Administration's (NOAA) National Marine Sanctuaries Program, and the Merchant Marine Academy. A well-developed plan helps agency leaders and managers identify important skill gaps and vacancies, which can guide future recruitment. Additionally, the plan will help identify key personnel who hold critical institutional knowledge that should be documented and preserved. Inadequate staffing to complete the change effort or loss of critical institutional knowledge may cause unintended negative impacts on agency operations.

Leaders should also consider how mission support functions (e.g., IT, procurement, etc.) may need to be revised to maintain operations with reduced staff. They should identify and prioritize opportunities to optimize these resources by directly reducing administrative burdens, as was recommended in the Academy's work with the National Nuclear Security Agency (NNSA), NSF's Directorate for Technology, Innovation and Partnerships, and National Park Service (2020), to provide more efficient services.

Supporting employee morale and culture is core to any significant change management effort and is also ultimately a responsibility of the agency CHCO. Recommendations to NNSA and Department of Agriculture's National Finance Center leadership included investing in employee engagement, which entails understanding the attitudes of the agency and fostering a culture of innovation and continuous improvement among staff. This can be achieved through formal efforts such as developing an employee engagement and vision strategy that aligns with the agency's strategic plan, as was recommended in the Academy's Secret Service report, or by establishing a systematic process for collecting and analyzing employee feedback and data to identify what is and is not working well.

Yet to Come

In addition to the current white papers focused on Human Capital and Leadership, this series will review the impact that recent and current organizational change has on Financial Management, Technology, Legal Authorities and Functions, and Mission Impact.

Who We Are

The National Academy of Public Administration is an independent, nonprofit, and nonpartisan organization established in 1967 and chartered by Congress in 1984. It provides expert advice to government leaders in building more effective, efficient, accountable, and transparent organizations. To carry out this mission, the Academy draws on the knowledge and experience of its over 1,000 Fellows—including former cabinet officers, Members of Congress, governors, mayors, and state legislators, as well as prominent scholars, career public administrators, and nonprofit and business executives. The Academy helps public institutions address their most critical governance and management challenges through in-depth studies and analyses, advisory services and technical assistance, congressional testimony, forums and conferences, and online stakeholder engagement. For more information on the National Academy of Public Administration, its fellowship, publications, and working groups, visit us at www.napawash.org.