

**SPECIAL HUMAN
CAPITAL ISSUE**

**The Value of Human
Capital Management**



Workforce Planning:
Planning For the Future,
Rather than Recreating
the Past

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The Value of Human Capital Management

Why do leadership development programs fail to meet their goals of building consistent values and competencies across business units? Why does a best-in-class recruiting initiative neither attract nor retain the employees with the kinds of skills the organization needs for the future, limiting the firm's opportunities? What are the reasons a new performance management system can create destructive competition between employees instead of incentives to improve cooperation?

These under-achieving efforts reduce an organization's performance and create skepticism about future efforts. Many employee development and performance improvement programs fail because they do not have the demonstrable support of the senior leadership team, are not integrated with other organizational initiatives, do not meet the motivational needs of the employees, and do not contribute to the organization's future direction. Many organizations are now recognizing that human capital management can assist them in integrating their efforts to improve performance and to provide an environment and incentives consistent with them.

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Workforce Planning: Planning For the Future, Rather than Recreating the Past

Workforce planning in the most stable of organizations is a seemingly straightforward task: consider the workforce supply, forecast the demand, and bridge the gap. Reality is often something quite different. More often than not, emphasis is erroneously placed on the quantitative: crunching historic demographic data and attempting to extrapolate future demand. While sound data is clearly important in feeding supply and demand analyses,



overemphasizing this component of the workforce planning process often dooms an organization to merely repeat the past, rather than actively transform an organization's vision of the future into tomorrow's reality.

The world in which organizations find themselves is increasingly volatile, as organizations are confronted with economic, political, and competitive pressures. Front-line managers deal

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In the Trenches:

Techniques for Strategic Planning at the Program Level

Strategic planning at the program or business unit, level is fundamentally different than at the organization level. This is especially true for the largest of our government and corporate entities in today's disaggregated organizational structures, where the programs can find themselves out of sync with the purposes and mission of the parent. Yet, to make a plan work well for the entire organization, it is critical that the programs or business units work effectively to assess, validate, and understand their direction and what will make them successful within a larger context.

Strategy development is about making choices between options, each with its attendant levels of risk and reward, investments and returns, likelihood and chance.

Organizations determine these choices by assessing external forces and conditions (including competition) and making judgments regarding the relative health and limitations of their internal capabilities. They create maps and scorecards to evaluate and identify performance measures across financial, customer, and other activities that meet both the long- and short-term goals of the organization (e.g., balanced scorecard). Many organizations also build stories that consider cultural, social, demographic, economic, or global trends impacting their organizations now and in the

distant future (e.g., scenario planning). Resulting strategy can be transformative or conservative, offensive or defensive, customer- or product-focused, or a hybrid of all.

Neither the external conditions nor the internal capacities affecting these choices are static, but dynamic—although at different velocities depending on the degree of change the organization is experiencing. This presents the problem that strategy decisions are always out of phase with external conditions and internal capacities, and the challenge to keep the strategy current with new knowledge of the environment and the group's capabilities.

In strategic planning, programs face more limited resource options, narrower spans of control, and initial top down guidance that creates additional boundaries. The most significant difference between the organization and sub-unit level planning is that the impact of external and internal contingencies can have greater effect without the benefit of offsetting results from elsewhere in the portfolio. A frequent answer to core strategic questions about what direction to take is: *It depends*. It depends on whether a primary customer continues its current level of orders. It depends on whether a competitor launches a new product. It depends on the budget allocation. It depends on how many people call in sick next week.

The following tips and techniques will help account for these contingencies and keep strategy relevant at the program level:

Establish expectations for strategic intelligence.

As a staff conducts its operations, it is gathering information on what creates value for customers, competitive trends, new services, the needs of other stakeholders, and other information that can help inform the strategy. Create an expectation that staff members will gather this information by asking for it up front.

Limit the planning horizon. One- to three-year plans are more effective for business units than five- and ten-year plans. However, tracking and updating long-term trends can help improve the short-term effectiveness of planning efforts.

Watch for participant fatigue at the program level.

Most participants in a strategic planning process have full-time operational or staff jobs to perform. If the formal process takes too long (more than one month) before

Strategy as...

... Gameplan

Set a course and establish a set of activities. Specific direction, due dates, milestones, and responsibilities are critical.

... Business Case

Justify your existence or make the case for investment or resources. Requires detailed financial projections and a compelling rationale or logic stream.

... Rallying Cry/Platform Change

Articulate threats to argue for a shift in direction. Less emphasis on financial projects—more on describing the compelling case to embrace a new direction, create movement, or shift behavior.

... Conversation

Communicate with key members and leadership to articulate internal and external challenges.

... Education

Educate newly hired or promoted leadership on understanding the business at a fundamental level.



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implementation or requires more time and resources than the group can afford (more than a 25 percent increase in workload), participants will begin to resist or bail out of the process.

Time the plan. For the program plan to impact the larger organization, it must be developed during the time the rest of the organization engages in strategic planning or in projecting resource allocation. The plan should be ready before the larger organization finishes its process.

Create a deliberate, but flexible, purpose.

Establish *why* the unit is engaging in a strategic planning process and clearly articulate its benefits to your group, as well as the resources it will take to get the plan accomplished. See the box on page two for different ways to frame the plan.

Strategy development is about making choices between options, each with its attendant levels of risk and reward, investments and returns, likelihood and chance.

Create a recrimination-free atmosphere. As in brainstorming, strategic planning at the program level requires openness to new ideas. It also requires a harsh,

unblinking evaluation of current conditions. In close business-unit relationships, this frankness can only be accomplished if participants can speak openly and free from recriminations.

Pick a model and definitions. Arguing over the structure of the strategic plan or the definition of a “goal” versus an “objective” can kill a strategic planning process. Select a model and a set of definitions and request that the participants suspend disbelief for this planning cycle.

Some managers criticize organizations and their strategic planning processes because they do not execute their plans well. A benefit of a program’s narrower focus, faster decision times, proximity to value-creating customer transactions, and accountability to the other members of the unit is that it has a greater chance of executing its plan by keeping its members engaged in constantly adapting the plan in response to their environment. In this way, the business unit can keep strategic planning fresh in a way that the larger organization could only hope to achieve.

For more information on ICF Consulting’s capabilities in strategic planning, visit www.icfconsulting.com/strategic-planning.

Avoiding the “Gotchas” of Knowledge Management

For human capital management to reach its promise of contributing to mission achievement, an organization needs to take advantage of its intellectual capital through knowledge management (KM) processes that feed innovation, productivity, and cross-functional relationships. Knowledge management is the effort to identify, capture, and leverage the knowledge within an organization to reach tactical, operational, and strategic goals.



As in any complex project, detailed planning and analysis must be completed prior to designing and implementing a solution. However, there are potential problems, or “gotchas,” that are common in managing a KM engagement. Some—and strategies for avoiding them—are listed below.

Gotcha #1 - “Whose idea was this anyway?”

Demonstrated commitment and ownership of the project by the organization’s leadership are crucial to success. Otherwise, it is unlikely that the project manager will have access to the resources needed, or receive the attention and involvement of the organization’s frontline knowledge managers (all of which are needed later during implementation). The trick, of course, is engaging managers without compromising solution development, and obtaining

their buy-in and support, not “solutions” defined in a top-down manner by them.

At what level should the organization’s leadership be involved in the project? A quick rule of thumb is “2 Levels Up.” Ensure there is buy-in “2 levels up” the

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Getting Organized:

Developing Effective Training Institutes

Many U.S. federal agencies, offices, or programs offer training to staff or clients. This training may be sponsored by agency staff, but often is delivered by contractors—sometimes multiple contractors. Additionally, today's world of training embraces many different media, including classroom learning, Web casts, on-line training, satellite broadcasts, and conferences.



With so many formats and sources of training delivery, it is no wonder that many federal agency clients are confused about where and how to get information. One solution can be to create a training institute. A training institute serves as an umbrella to capture the various types of training being offered by a particular office. It offers a “one-stop shop” for clients to find out about training course content, delivery locations, and registration.

How does a training institute typically work? A federal agency or program office determines how it wants to reach its clients and either assigns staff or contracts with an entity to serve as the central organizer for the process. This staff or contractor then administers the institute in coordination with other agency staff or contractors.

Institutes are usually administered via the Web and are hosted on the agency's Web site, although they may have links to various contractor Web sites. To the client, the process is seamless, even though the actual training products may be delivered by varying agency offices or contractors. This, in turn, allows the client staff to make informed decisions about where, when, and how they want to obtain training.

ICF Consulting has helped a variety of clients develop training institutes, most notably the U.S. Department of Housing and Urban Development's Community Planning and Development Training Institute and the Office of Native American Programs Training Institute.

For each of these, ICF Consulting developed an interactive training delivery information/registration Web site including a comprehensive image for the Web site as well as training materials. Developing dozens of training manuals and on-line training materials ranging from the basic to highly interactive, and delivering hundreds of training sessions has garnered some best practices in the area.

Some of the key tips to developing a successful training institute include the following:

Develop a consistent look and feel.

Before designing the Web site or writing the training manuals, decide what image will be conveyed throughout the training. Develop a graphic look that matches this image, and then carry this throughout all the products. The Web site and the cover of all training manuals reflect this image, regardless of which contractor developed the product.

All classroom or Web-based learning products and any marketing materials or informational brochures carry the same theme.

Determine the information format needs. In some client communities, Internet access is lacking or slow (particularly in rural or low-income communities). The training institute information also may need to be shared via other mechanisms such as written newsletters or updates. Other clients may want to be able to contact the agency with questions, so ensure that the institute has an e-mail address and a telephone “hot line.”

Establish a set of standard procedures. To ensure that products and deliveries are consistent across staff and contractors, develop a set of written procedures for accomplishing the training. Some questions to consider include the following: How often will a particular class be taught? Whose job is it to update the Web site with new information? Who will respond to voice mail or e-mail questions?

Ensure that all products meet accessibility requirements. All training materials and the Web site need to be accessible to persons with disabilities, including those with visual, auditory, or mobility challenges. Develop a checklist to ensure that all meeting rooms are accessible under the Americans with Disabilities Act (ADA), and be sure that training materials are available in large print if needed. Also be sure to offer Telecommunications Display Device (TDD) access and to have a mechanism that allows clients to communicate should they need other adaptive formats.

For more information on ICF Consulting's training institute capabilities, please visit www.icfconsulting.com/training.

The Value of Human Capital Management (cont. from page 1)

Depending on its external conditions, mission, business cycle, funding levels, and other factors, the challenges an organization faces shift over time. Due to these changes, an organization's human capital challenges and strategies for meeting these challenges also must shift. If a company enjoys an increase in business, its human capital efforts may include improving recruiting programs, accelerating high-potential leadership initiatives, and implementing incentive programs consistent with reaping the benefits of the increased business. If a government program's costs are accelerating or its support is declining, its human capital programs may reflect this through developing the competencies to redesign and restructure the program, identifying alternate career paths or detailing positions for employees, or pursuing flexibilities in retirement programs.

One of ICF Consulting's U.S. federal clients faces dramatic changes in its mission and strategy due to security issues and increased outsourcing of its functions. Though we started helping the organization with its management challenges through training, coaching, and other strategic support, ICF Consulting has used a human capital approach to help the organization's leaders look at its agency's initiatives more holistically.



Human capital management is not about changing the names of things we are already doing in human resources (HR) and elsewhere. It is about acknowledging, anticipating, and acting on the human impacts of those actions. Human capital management provides a systems approach to improving the performance of an organization and its employees, by integrating initiatives that impact their performance, including restructuring, business process improvement, and new IT systems introductions, as well as more traditional HR programs, such as recruiting, retention, and performance management.

Human capital management takes the view of employees as individuals—the combination of skills, competencies, motivation, capabilities, interactions, energy, experiences, and institutional memory that create value for the organization. Gary Becker, the Nobel-prize-winning economist,

acknowledged this in his book *Human Capital*: “...expenditures on education, training, medical care, etc., are investments in capital. However, these produce human, not physical or financial, capital because you cannot separate a person from his or her knowledge, skills, health, or values.”

In our work with government and private-sector organizations over the past five years, we have learned that organizations with effective human capital management take the following actions:

- **Engage organizational leaders** regarding the potential of managing human capital more holistically
- **Identify leadership support** for assessing and acting on the human impacts of organizational action
- **Create the human capital** linkages to the organization's mission and strategy
- **Build a human capital plan** consistent with those linkages
- **Rally support** for the plan
- **Implement and monitor** the human capital initiatives
- **Publicize** the lessons learned and benefits
- **Revise the initiatives** to better match the organization's direction as it changes over time

Through this approach we are helping organizations link strategy with program planning and workforce planning, integrate budget and performance management, and augment motivation, reward, and performance management systems to help employees see how their work and their career development advance the goals of the organization.

Human capital management is about investing in employees to improve the performance of the organization in the short- and long-term. These investments can include improving management and leadership, assessing and anticipating workforce requirements and capabilities, creating better systems and tools, and building marketable skills, as well as fostering the organization's energy and commitment to career development. Through these investments, an organization can create strong bonds between employee actions and desires and its performance.

For more information on human capital strategies, please visit www.icfconsulting.com/human-capital.

Workforce Planning... (cont. from page 1)

with these pressures every day and know the sets of skills, competencies, experiences, and capacities the workforce needs to respond to them. They are also the group least likely to engage in systematic workforce planning.

Our experiences working with government clients have pointed to the need for a flexible approach to workforce planning that engages managers and allows organizations to respond to, and effectively navigate, the rapidly changing environment in which they find themselves.

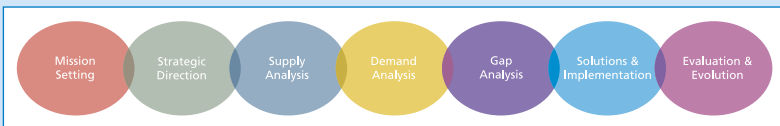
Workforce planning must be viewed as an integrated

through development of the current workforce? The answers to these questions, and more, will help shape the form of the future workforce.

Once these questions are answered, workforce data analysis and future modeling are important components of gauging supply and demand analysis. Organizations can improve the quality and specificity of their workforce planning by using workforce analytical software tools that can provide trends in hiring, attrition, retirements, competencies, and succession plans.

Workforce Planning

Workforce Planning can be best viewed as a chain, whose strength and integrity are only as strong as its weakest link.



process for identifying, securing, and developing the human capital required to support the organizational mission, and for developing and implementing the strategies to meet these objectives.

Too often organizations fail to effectively build the true foundation and structure of the workforce planning process: alignment with mission and strategy, and actionable solutions and feedback loops. The data feeding the supply and demand analyses can be thought of as the necessary fuel that powers the machine, yet it is meaningless unless the levers exist to effectively harness, transform, and direct the input.

Effective workforce planning aligns an organization's workforce with its mission, strategic plan, and budgetary resources. Workforce competencies and capacity must be mapped to future needs, as identified in the mission, strategy, and other improvement initiatives. It is this map that will serve to guide the organization as it builds its workforce of the future.

Today's emphasis and priorities may not be tomorrow's. A myriad of questions often arise. What skills should we buy (hire)? What skills can we rent (contract for) in the future? What can we produce or deliver through partnering with other organizations? What skills should we build

A data model and system to catalog and extrapolate the managerial, leadership, and technical competencies available within the workforce, and in what relevant capacities, are a necessary component to workforce planning. There must be an effort to populate the database, which involves data collection, entry, and verification. Balancing the complexity of the task and the speed with which it must be completed requires

considerable project management experience coupled with information technology development expertise.

Some of the most successful government organizations answer these questions by creating greater flexibility and specificity in hiring and training employees. They recruit, select, and train multi-skilled employees to fill different roles. In addition, they ensure that alternative hiring mechanisms exist to obtain and interchange specific skill sets as needed. When working in concert, these efforts allow organizations to effectively respond to changing or emerging priorities.

Organizations tend to recreate the past rather than actively define their future. Frontline operating managers frequently address workforce planning in reaction to their own immediate needs or in response to an annual budgeting exercise. Therefore, solutions are implemented in an ad hoc, narrow manner. Managers need to be challenged

Workforce Planning

As the ad hoc is transformed to the strategic, the chain must be structured so that a feedback loop is established.



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to consider longer-term organizational needs and engaged to identify the competencies they will need in the future.

Organizations must continually monitor and assess the effectiveness of their workforce plan against the organization's mission and strategy as well as the shifting external environment, refining and redirecting efforts and resources. As the ad hoc is transformed to the strategic,

the chain must be structured so that, rather than being linear in shape, it is circular and includes a feedback loop. Performance based metrics must be infused, and corrective action mechanisms established.

For more information about ICF Consulting's workforce planning capabilities, please visit www.icfconsulting.com/workforce-planning.

Avoiding the "Gotchas" of Knowledge Management (cont. from page 3)

organizational chart from the highest point in which the project is engaged operationally. Support from the information technology leadership also is essential.

Gotcha #2 - *"I didn't realize that's why you do that..."*

It seems a statement of the obvious, but it is surprising how often this is ignored: If the business goals and objectives of the affected group(s) are not completely understood, it is impossible to design a knowledge management system to help meet the organization's goals. Conversely, understanding in detail which operational outcomes are desired provides insight on how to approach the effort (as well as a solid basis for the project's evaluation design).

Gotcha #3 - *"Is that how you do that?! That's not what I was told."*

It is very important to remember the tension between process and practice in organizations. This means you have to understand the REAL business processes the project will affect. Small work-a-rounds, shortcuts, or examples of daily "winging it" are sometimes difficult for people to commit to paper or describe in a workshop. However, the knowledge management solution must be aware of and consider these ad hoc processes and the factors that make them necessary.

Gotcha #4 - *"I've been doing it this way for years, and it works fine."*

This is the flipside to "Whose idea was this anyway?" Workers have found ways (however arduous) of delivering

required work products with an acceptable level of accuracy and predictability. Implementing a KM solution juxtaposes a set of promised benefits with the cold reality of current uncertainty. (This is a bargain most of us resist.) If workers and/or management perceive this effort as a "solution in search of a problem," the chance of project failure is very high. Uncovering this perception will afford the project team and the organization's leadership a chance to regroup, reassess the problem definition and approach, and clearly define the benefits for all involved.

Gotcha #5 - *"Let's worry about evaluation in the evaluation phase."*

Project design and evaluation design should be done simultaneously so that the evaluation can be engineered into the project plan. This will strengthen implementation by helping establish a "virtuous cycle" of iterative development using evaluative data generated during implementation. It also will allow an opportunity to design an evaluation of the project's implementation itself. This last point is important since evaluating the implementation assures that the outcomes evaluated at the project's end are related to a project that, in fact, was implemented as planned. Without that assurance, it is difficult to definitively tie project outcomes to the project.

There are many more potential gotchas. We have discussed only a few. However, for organizations to realize significant returns from their knowledge management efforts, avoiding these common mistakes becomes all the more important.

For more information on developing or refining a knowledge management system, please visit www.icfconsulting.com/km.

Calendar of Events

February

February 3

Dublin, Ireland. At the **Energy Ireland's European Emissions Trading Conference**, ICF Consulting's Abyd Karmali will give a presentation titled "How Much to Give to the Trading Sector: The Irish Approach." *For more information, contact Sue Demmon at 44.20.7554.8730.*

February 4-5

Washington, DC. As a conference sponsor, ICF Consulting will host an exhibit and speak at the **E-Gov Web Enabled Government Conference** at the Reagan Center. Tim Herbst will moderate a panel on "Leveraging Customer Insight for Citizen-Centric Applications." Chris Durney will speak on "How Enterprise Architecture is Transforming Web-Enabled Environments." *For more information, contact Anne Torgler at 1.703.218.2772.*

February 10-13

Washington, DC. ICF Consulting is a sponsor of the **National Emergency Management Association (NEMA) Mid-Year Conference**. The conference focuses on the future of homeland security and the overall capabilities of emergency management professionals to meet the challenge of all disasters. *For more information, contact Mike Armstrong at 1.703.934.3179.*

February 18

Milan, Italy. At **EnerCon Italia 2004**, ICF Consulting's Abyd Karmali and Neil Cornelius will speak on "Emissions Trading in Italy." *For more information, contact Sue Demmon at 44.20.7554.8730.*

February 23-25

London, UK. At **Carbon Finance 2004**, ICF Consulting will sponsor a one-day workshop, and Abyd Karmali and Myfanwy Price-Jones will speak on "Preparing for Emissions Trading in the EU." *For more information, contact Sue Demmon at 44.20.7554.8730.*

February 23-25

Orlando, FL. At the **12th Annual International Conference on ISO 9000**, ICF Consulting's Francois Cote will present a paper on "Achieving Optimum Management System Effectiveness and Efficiency by Applying a Risk-Based Approach to a Fully Integrated Business Management System." *For more information, contact Francois Cote at 1.416.341.0387 or Michael DeWit at 1.416.341.0391.*

March

March 1-3

Las Vegas, NV. At PennWell's **POWER-GEN Renewable Energy conference**, ICF Consulting's Steve Fine will give a presentation on "Renewable Energy Market Trends." *For more information, contact Stacey Hohenberg at 1.703.218.2504.*

June

June 2-4

Washington DC. ICF Consulting will exhibit and speak at the **E-Gov Annual Government Solutions Forum**. This event focuses on information technology solutions and best practices to improve agency effectiveness, efficiency, and service delivery. *For more information, contact Anne Torgler at 1.703.218.2772.*

June 6-9

Orlando, FL. ICF Consulting will exhibit at the **Edison Electric Institute (EEI) Annual Meeting**. In addition to the exhibition, EEI (joined by the Canadian Electricity Association) is providing authoritative speakers on strategic issues shaping the industry. *For more information, contact Pat Alexander at 1.703.934.3157.*

About ICF Consulting

ICF Consulting is a leading management, technology, and policy consulting firm. Drawing upon its extensive industry knowledge, credentialed professionals, and innovative analytics, it develops solutions to complex energy, environment, homeland security, community development, and transportation issues. ICF Consulting's approach to these issues is strengthened by its expertise in information technology, organizational improvement, program management, and communications. Since 1969, ICF Consulting's 1,000 employees have served major corporations, government at all levels, and multinational institutions from key business centers in the Americas, Europe, and Pacific Asia.

For more information on ICF Consulting's services, please visit our Web site at www.icfconsulting.com.

We welcome your comments and suggestions. Please contact us at 1.703.218.2772 or by e-mail at perspectives@icfconsulting.com.



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