



The Status of Strategic Human Capital Management in County Government

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Increasing demand for local government services has resulted in an expansion of the human resource (HR) management function as HR departments find and implement new strategies, models, and practices to assist governments in meeting these service and performance challenges. One such model, called Strategic Human Capital Management (SHCM), emphasizes that people, as the human capital of an organization, “play a strategic role in the organization’s success.”¹ In contrast to the traditional civil service focus on matching particular individuals with certain jobs and measuring the accomplishment of specified job duties, SHCM encourages HR managers to explore the skills and potential of all employees and to ask how employees might be deployed more effectively to help an organization achieve its strategic goals.

SHCM requires a different way of thinking about the operational requirements of the HR department. In the SHCM model, HR departments continue to oversee the established administrative functions of payroll and record keeping, responding to problems and requests, and developing new programs. The management of these responsibilities tends to be rethought, however, as the department takes on new strategic leadership roles within the government as a whole, for example, assisting in decentralization or contracting with other internal and external entities to fulfill core functions. In addition to ensuring that the traditional HR functions are being performed, the department focuses on examining what HR brings to the government as a whole apart from its administrative functions. Thus, in order to implement SHCM practices, an organization must develop an overall strategic plan as well as a human capital plan that integrates the workforce requirements with the goals identified in the larger strategic plan.

Incorporating a strategic approach into the HR function requires HR managers to adopt new behaviors and develop new skills. For one thing, they must assume the role of strategic partner by collaborating with management, participating in the management team, and sharing accountability for the results of the organization. They also must act as a leader by ensuring that the HR department upholds public values and by advocating for employees. Finally, they must become a change agent by showing the need for a given change and facilitating that change and

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1. Sally Coleman Selden, *Human Capital: Tools and Strategies for the Public Sector* (Washington, D.C.: CQ Press, 2009), 15.

by getting the government as a whole to recognize the need to build strategy and adaptability into the workforce.²

HR directors from forty counties in New York and North Carolina were interviewed to gain a better understanding of how and when SHCM practices are being implemented in county government. The study results indicate that the level of SHCM adoption in a county depends on whether or not the county government engages in strategic planning and management,³ the HR director thinks strategically about the role of HR in the government, and top leadership views the HR function as strategic. Results also suggest that the adoption of SHCM principles and practices is an ongoing process.

This bulletin presents an overview of this study and its findings and concludes with lessons for local governments wanting to implement SHCM.

Study Overview

Examining the strategic leadership of HR officials in two states allowed for comparisons and verification of results in different settings. Semistructured interviews with randomly selected county HR directors were conducted from August to December 2010: twenty interviews in New York and twenty interviews in North Carolina. The findings presented here are based primarily on responses to questions about the HR department's role in the strategic planning process and the extent to which the county manager viewed HR as a strategic function, a support function, or some combination of both.

Counties within the greater New York City area were excluded because the size and function of government in this region is vastly different from that of other counties in New York and North Carolina. The sample was limited also to counties with a workforce of greater than five hundred employees in order to ensure sufficient size to warrant a county-level HR director position.

2. U.S. Office of Personnel Management (OPM), *Looking to the Future: Human Resources Competencies* (Washington, D.C.: OPM, 1999); Dave Ulrich, Wayne Brockbank, Dani Johnson, Kurt Sandholtz, and Jon Younger, *HR Competencies: Mastery at the Intersection of People and Business* (Alexandria, Va.: Society for Human Resource Management, 2008).

3. It is essential that HR managers understand both the functions associated with a strategic leadership role for human resource management and the skills and behaviors required of HR managers to make the transition to SHCM. Variations may exist, depending on the governmental unit, but, as noted above, this process generally requires that agencies develop an overall strategic plan as well as a human capital plan that integrates the workforce requirements with the goals identified in the strategic plan. According to political scientist Jonathan Tompkins, the alignment of personnel policies and practices with an organization's strategic objectives is the core requirement of SHCM. The general operational steps of this approach include: (1) identifying the strategic direction of the government unit, (2) analyzing the workforce requirements to achieve this strategic direction, and (3) developing action plans associated with the HR function that will help achieve the overall strategic goals of the department. Tompkins, "Strategic Human Resources Management in Government: Unresolved Issues," *Public Personnel Management* 31, no. 1 (2002): 95–115.

Findings

Examining patterns across the forty counties, five different models of SHCM implementation were identified, based on the following characteristics:

1. *Existence of a strategic plan at the county level.* Organizations need to have clear goals in order to connect HR to the achievement of those goals.
2. *Recognition by the HR director that HR can play a strategic role in county government.* To engage in SHCM, the HR director must understand and demonstrate that HR adds value outside of the support or administrative role they play and that HR planning and management can have a significant impact on how county government functions. The HR director must also be a leader in communicating the importance of the HR function to key stakeholders.
3. *Recognition by county leaders that HR can function as a strategic player in local government.* Even an HR director who is a strong advocate of strategic thinking will be unsuccessful if there is no audience or support for that message. In order for SHCM to be adopted, leadership outside of the HR department, including the county manager, must view HR as playing a key role in the strategic planning process.

While the level of SHCM tends to increase across the five models, the path between models is not linear. Each model represents a unique set of characteristics, and various paths can be followed in adopting SHCM.

Model One: Traditional Personnel Administration Approach

Three of the forty counties are characterized as having traditional personnel administration structures. The HR director and county leadership demonstrated little recognition of the role that HR can play in the strategic planning process and indicated that changing how their HR department functioned was very unlikely. The HR department in this model is viewed as purely a support function focused on compliance and enforcement of standard personnel policies. It is not included in the county's planning process.

Model Two: Traditional Personnel Administration Approach but Hoping for More

Five of the forty counties operate under traditional personnel administration structures but exhibit some important differences from those classified as Model One. The HR departments in these counties are not involved in strategic planning, but their HR directors indicated that they believe their departments could contribute to accomplishing the strategic goals of their counties.

The HR directors of these counties reported that key county officials do not fully appreciate how the HR department could contribute to implementing the broader strategic vision of the county. One HR director indicated that HR's historical function has prevented county leadership from viewing HR in a strategic role, saying:

I think HR has been neglected as its own organization and what it can bring to the larger organization. Because of the history, it was seen as paper pushers. I have been telling my staff that we are the example of what employees should be for the entire county. We are what customer service should be for the entire county. We can have a strong leadership role.

Implementing SHCM requires changing people's perceptions of HR personnel as solely administrators of payroll, benefits, and the like to integral participants of a management function that is at the core of achieving the overall purposes of government. This model demonstrates that it is not enough for the HR director to recognize the leadership role that HR can play; there must also be a change in how county leadership views HR. Model Two counties appear to be more ready than Model One counties to transition to SHCM because the HR director in the Model Two cases both recognizes the strategic value of HR and advocates for changing HR's role.

Model Three: HR Partner Approach in a Strategically Deficient Organization

In four of the counties in this study, HR directors indicated that the HR function plays a more strategic role than in Model One and Model Two counties. Model Three HR directors work closely with county leadership on key management decisions, and county leadership views the HR department as having a role in setting and supporting strategy. The HR director may serve on the management team or find ways to inform management about HR's strategic role within the organization. Inclusion of the HR director in strategic management decisions takes place through both formal and informal channels. While HR directors in these counties do demonstrate strategic leadership, the county governments as a whole do not have a systematic strategic planning process. As a result, these four counties are not classified as full adopters of SHCM. Still, in these cases the HR directors are positioned to be able to quickly make a more complete transition if the county should undertake strategic planning efforts.

Model Four: Expert Consultant Approach

HR departments in twelve of the forty counties are directly involved in the county's strategic planning process but with clear boundaries around their inclusion. In this model, the HR director's role in the strategic planning process is best described as expert consultant rather than full partner. The HR director may be asked to provide advice concerning the impact of strategic goals on existing positions, to collect data to help justify strategic goals, or to talk about the associated HR requirements of particular goals. However, the HR director and the HR department, instead of being a full partner in these discussions, are used as a resource, similar to the use of a county attorney's office to approve new policies that the attorney did not directly help develop. As one North Carolina director noted:

We're very involved, not at the top. This county manager brings us in on a lot more than the prior manager. He doesn't have a senior manager group. I'm not in the group that develops the comprehensive plan for the county. There may be something in there that is HR related, and I'm brought in on that. Anything that happens in the county where the manager believes it is an HR issue, he comes to me.

Model Five: Strategic Partner Approach

Finally, sixteen of the forty counties have adopted a SHCM approach to their HR function. In these Model Five counties, the HR director is a central figure in the strategic planning process, and the HR director's input is viewed as critical by county leadership. The HR director is a key participant in conversations about HR needs for accomplishing strategic goals as well as about some topics that are not strictly within the purview of the HR department. Although these departments continue to perform the more traditional HR functions, compared to those in the other four models, Model Five counties have achieved a greater balance between the strategic and support roles of the HR function.

All respondents in this category maintained that they have a “seat at the table” at management meetings. Nonetheless, there is considerable variation within this model. One subset comprises counties that are completely integrated into the strategic process while another is made up of counties whose HR directors are still developing their role as a strategic partner.

Some HR directors recognized the need to advocate for the transition to SHCM principles, and HR directors in two counties reported having played this role. As one commented:

Several people have asked how I was able to swing that [changing the role of HR], and I said you have to let them know how valuable you are. I've attended SHRM [Society for Human Resource Management] conferences and told them things in my role and they want to know how we got to this point. You have to share your knowledge base and it becomes a natural thing for managers.

From the responses of Model Five HR directors, two main reasons why their counties were able to adopt SHCM were identified. Four respondents emphasized the critical impact that HR has on a county's overall performance and indicated that this close relationship was the driving force for HR's inclusion in the management team. In the words of one HR director, “From a cost standpoint and operational, it comes down to bodies and we manage those bodies so I'm at the table for every major decision that's made in the County Executive's office.” The second reason attributed to facilitating the transition to SHCM was the HR director's development of strong working relationships with key stakeholders, underscoring the importance of individual HR professionals' leadership skills and abilities. Reflecting the sentiments of five interviewees, one HR director commented: “We are very much involved in everything. There isn't much that goes on in the county that I'm not involved with firsthand.”

The extent to which the HR directors are integrated in the strategic process and the impetus for the transition to SHCM varied among the counties classified as Model Five. However, the key commonality across all sixteen counties is that they are partners with the management team and play a crucial role in helping county government think and act strategically.

Lessons for County Government

This research offers several lessons for county governments wanting to implement SHCM principles and practices. A brief discussion of each follows.

Lesson No. 1: HR Leadership and Staff Are Key to SHCM Adoption

Adopting SHCM is not easy, as it requires a fundamental rethinking of the role of HR professionals in managing the workforce and the strategic role of the HR department within county government. This new role requires the introduction of new ideas and voices in the strategic process and, like all changes, involves risks. Adopting SHCM requires an emphasis on employee development (i.e., building a county's human capital) and thinking strategically about where and how to deploy this human capital all while fulfilling the traditional personnel functions and responsibilities. As reported by HR managers in Model Five, county HR managers have the potential to play a key part in the change process through education and advocacy. In addition, several HR directors from Model Five counties indicated that their strong working relationships assisted with the adoption of SHCM in their locales.

Lesson No. 2: Education May Facilitate the Adoption of SHCM

Educating a range of audiences, including the HR director, HR staff, and the management team, on SHCM practices and their value increases the likelihood that SHCM will be successfully implemented. In counties where HR directors see the viability of their role as a strategic player but county leadership does not (Model Three), education may be particularly helpful. Pointing out the importance and possible contributions of the HR function and the value it can bring to accomplishing the government's goals may convince these leaders to change their county's management culture.

Even after a cultural shift has been successfully achieved, the values and new practices associated with SHCM will still need to be reinforced until this new approach is a common practice. Also, at the same time that top-level leadership is being informed, the HR director and the HR staff also will need to consider what training or leadership development will be needed to prepare them to manage this cultural and programmatic transition over time.

Lesson No. 3: Executive Leadership Matters for SHCM Adoption

In implementing SHCM, leadership is needed not just from the HR director but from the executive level as well. Without this top-down acknowledgment of the strategic role that HR can play, it will be difficult, if not impossible, to initiate true SHCM. One factor that may influence county leadership's willingness to advocate SHCM is the trust that exists between county leadership and the HR director.

Many of the HR directors from Model Five counties emphasized the importance of having a working relationship with management and developing a sense of confidence and contribution. Building these relationships relies on both the previous perceived value of the HR director's input and the HR director's ability to build networks and educate key decision makers on the value that HR adds. HR directors who develop credibility and are seen as useful contributors on the small things are often the ones included in discussions on more critical issues. As these HR directors continue to build credibility, they also become more and more involved in strategic decision making.

Lesson No. 4: SHCM Implementation Is an Ongoing Process

While HR directors in Model Five reported that they are all strategic actors within their governments and serve as part of the top management team, there was a good deal of variation across these cases in terms of the sophistication of the SHCM principles being implemented and the integration of the HR director into the strategic planning process. These differences suggest that SHCM implementation is not necessarily ever completed. Continued development, coaching, and training will be needed to ensure SHCM's success.

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