



Beyond hiring: An integrated approach to talent management

The US government must aspire to a world-class talent-management system—one that addresses not just recruiting and hiring but also performance management, leadership development, employee engagement, and HR capability building.

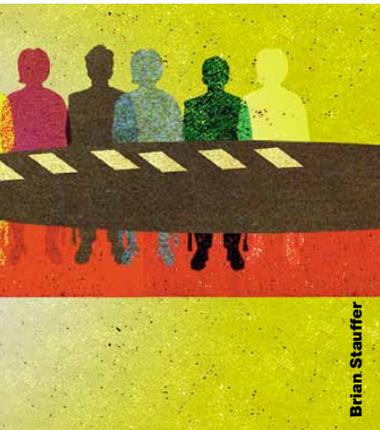
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Matthew Smith**

The US federal government has a unique opportunity to reshape its workforce and collective abilities as it brings in the next generation of civil servants. According to the Partnership for Public Service, by 2012, the federal government will be hiring about 600,000 people—one-third of the current workforce, divided about evenly between hiring replacements and filling new positions. Recognizing this opportunity, the Office of Personnel Management (OPM) and the Office of Management and Budget (OMB) in May 2010 announced a major overhaul of the federal hiring process. Agencies have responded favorably, often going beyond the mandate from the OPM and OMB to drive innovation in their recruiting and hiring practices.

Bringing in a sufficient number of appropriately skilled new employees, however, is only the first step in a comprehensive talent-management program. Agencies must take an integrated view of talent management and look beyond recruiting and hiring—otherwise they risk squandering the benefits of their improved hiring efforts. Our recent research has shown that the US government must raise its game in the other elements of talent management. In this article, we explore ways that federal agencies can—or, in some cases, have already begun to—meet this challenge.

Responding to a generational shift

Two trends are driving the increased demand for federal workers: the mass retirement of



baby boomers and the government’s expanded role in society. The Partnership for Public Service forecasts that by 2014, almost 40 percent of the federal workforce will be older than 50, with the largest percentage increase since 2004 among people 55 and older. These demographics portend a wave of retirements among a large fraction of the current federal workforce. At the same time, health-care reform, financial reform, and other measures have created additional jobs in the federal government. Agencies need more staff, and the jobs themselves are becoming more challenging, with increasing impact on key sectors of the economy.

Fortunately, the need to hire new government workers is occurring in parallel with an increased interest in public service among the youngest generation of workers. Members of the millennial generation (those born between 1982 and 1995) have begun entering the workforce over the past five years, and their professional aspirations—including a desire to both serve the greater good

and achieve job stability—are well aligned with the core value proposition of the civil service. In a 2010 survey of undergraduates, 6 of the top 15 organizations identified as “ideal employers” were federal agencies: the Federal Bureau of Investigation (ranked 3rd), the State Department (6th), the National Aeronautics and Space Administration (7th), the Peace Corps (8th), the National Institutes of Health (13th), and the Central Intelligence Agency (14th).¹

However, millennials also have high expectations—often expressed as a sense of entitlement—for their work environment,² suggesting that government agencies, in rethinking their talent-management approaches, should be as concerned about retention as they are about hiring. Furthermore, the results of a recent McKinsey survey of federal government employees, “Driving federal performance,”³ shows that government practices related to talent development and employee engagement significantly lag behind private-sector benchmarks (Exhibit 1).

¹ Universum Student Survey 2010, Undergraduate Edition.

² Ron Alsup, *The Trophy Kids Grow Up: How the Millennial Generation Is Shaking Up the Workplace*, San Francisco: Jossey-Bass, 2008.

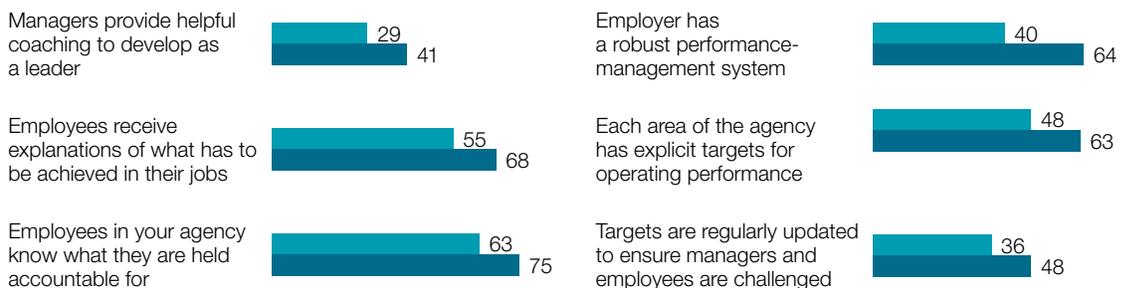
³ Available at www.mckinsey.com.

Exhibit 1

The government lags behind the private sector in talent management.

Average % of respondents who agree or strongly agree with each statement

■ US public sector
■ Private-sector benchmark



Source: 2009 *Government Executive*—McKinsey survey of 500 US federal employees

An integrated approach

The OPM and OMB mandate to drive innovation in recruiting and hiring practices has led to some early success stories, with a number of agencies making dramatic reductions in hiring times. While such efforts are indeed a good start, the government should aspire to a world-class talent-management system that addresses not just recruiting and hiring but the entire spectrum of organizational competencies. Agencies must take an integrated view of talent management (Exhibit 2).

The recent OPM and OMB efforts are helping agencies think through how to plan workload and workforce needs (outer ring) and attract the right people (upper ring), the latter of which is

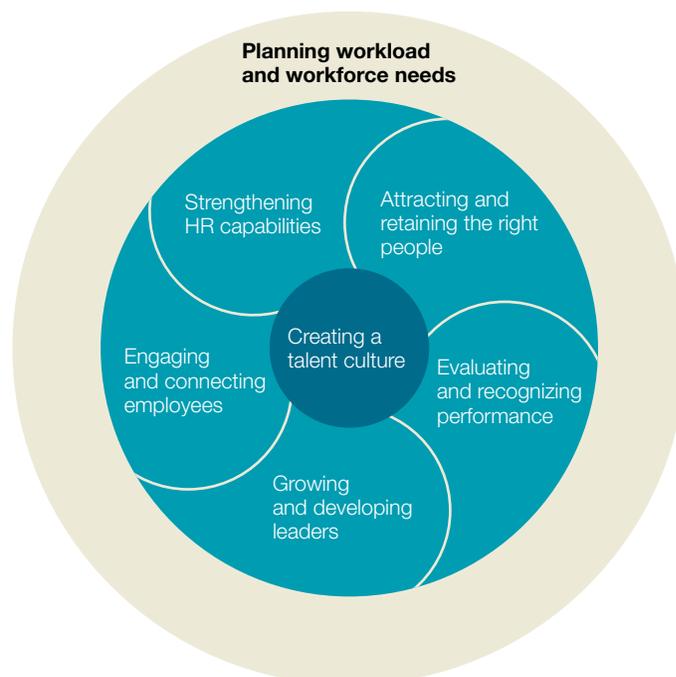
one of the five core components of talent management.⁴ However, based on our research, the government must pay more attention to the other four components:

1. **Evaluating and recognizing performance** through meaningful and differentiated performance management, ensuring that there are real consequences (both positive and negative) for individuals
2. **Growing and developing leaders**, including creating development and career paths that reflect a range of employee needs and experiences
3. **Engaging and connecting employees** to improve productivity

⁴ See Thomas Dohrmann, Cameron Kennedy, and Deep Shenoy, "Attracting the best," *Transforming Government*, Autumn 2008.

Exhibit 2

Taking an integrated view of talent management is essential.



4. **Strengthening HR capabilities**, in particular having the right leadership team in place to drive the agency's talent agenda

The final element of the talent-management framework—creating a talent culture (center)—should not be a direct focus of improvement initiatives. Rather, it is the output and natural capstone of the full set of elements in an integrated talent-management system.

Evaluating and recognizing performance

Too often, performance management in public-sector organizations is a perfunctory process rather than a tool for improving productivity and effectiveness. Stories abound of organizations in which 99 percent of employees receive a “meets expectations” rating (although conversations with managers reveal a different picture of employee performance), or of divisions where annual awards are passed out based on “whose turn it is” rather than on merit. Such processes give employees little incentive to do anything more than the minimum required of them.

Frontline managers can play a critical role in improving performance management by setting clear and measurable expectations for employees, documenting how well those expectations are met, and following up to address underperformance. The typical employee protections at government agencies require significant documentation over an extended time period before reduction in grade or termination can occur, which means that managers must react to poor performance as soon as it appears.

When empowered by senior leadership, we have seen managers take bold steps to address underperformance, allowing for faster corrective

action than is typical in government agencies. At one law-enforcement agency, a manager set detailed performance targets for an employee based on the employee's grade and the position's job description. On a daily basis, the manager pushed the employee to do the level and caliber of work implied by the grade, and each week the manager sat down with the employee to evaluate whether the performance targets had been met. Within a few weeks, the employee recognized that he simply was not capable of doing what was required, and he asked to be reassigned to a more appropriate grade.

Similarly, senior managers and agency leaders must not accept poor performance from frontline managers. Senior staff must model the desired behavior, monitoring and responding to underperformance by frontline managers with the same diligence and speed that they expect frontline managers to apply to their more junior colleagues.

Agencies must also implement the right systems to support robust performance management. An ideal system both rewards good performers and has consequences (for example, not receiving a time-in-grade salary increase) for underperformers. However, recent cases in the public sector have shown that establishing a formal system—such as a pay-for-performance system—that metes out consequences for underperformers can lead to significant legal challenges based on fairness, which can result in the program's termination. A “win or break even” system, in which only a small group of top performers receives recognition, can be quite effective and is more likely to escape such challenges. Many government departments, for example, recognize high-performing employees with awards that include a monetary component, such as tuition reimbursement. In

Agencies must avoid heavy-handed nudges down the “right” career path, as these will foster a consensus belief that senior managers follow only one route to success

implementing such a system, agencies must avoid the pitfall of giving nearly everyone the award and consequently turning the program into an entitlement rather than an incentive. Agencies must set and adhere to limitations on the number of employees who receive the award, and they should establish eligibility and selection criteria. Each manager might, for example, nominate only one or two employees based on specific performance metrics, while another party selects the recipients—an approach we have seen used successfully in the private sector.

Growing and developing leaders

To develop talent, agencies must codify career paths that set out the options for promotion and the training and experience that employees should have at each step of their development. From an entry-level position, an employee should be able to move up to one of several different jobs, in part based on the training he or she chooses to receive. The career path for an analyst, for instance, might lead to a supervisory role or designation as a senior subject-matter expert. Flexible career paths are far more appealing to employees than a one-size-fits-all template.

Of course, the flexible career path set out on paper is only as effective as the agency allows it to be. To maintain employees’ trust and follow through on the official endorsement of flexibility, agencies must avoid heavy-handed nudges down the “right” path, as these will foster a consensus belief that senior managers follow only one route to success.

Agencies should also encourage employees to take a more active role in their own professional development. The Centers for Disease Control and Prevention gives top performers “individual learning accounts” with up to \$1,000 each year in credits (and a maximum “account balance” of \$3,000) that can be used toward a variety of government training programs. Before spending the credits, an employee must complete an individual development plan to ensure that he or she is aligned with supervisors on the capabilities and skill sets needed for career advancement. This program addresses multiple talent-management objectives: it rewards strong performers, nurtures their talent, and gives them some control over their development.

Another US federal agency, in efforts to attract high performers to management roles and develop new leaders, recently introduced two new programs. The first is an online portal featuring articles, training materials, and other professional-development resources specifically targeted at managers. The second is a new role filled by a senior leader from the business side—a “managers’ champion”—who meets with managers regularly, brings their concerns to the attention of agency leadership, and looks for new managerial talent.

Agencies should also look to leading private-sector companies for examples of innovative practices in leadership development. General Electric, for one, has a range of leadership-development programs to ensure that leaders receive training customized to their role and aspirations. The company’s

“experienced manager course” groups middle managers from around the world into teams of five to solve real business problems customized for team members. Each team develops a solution to its problem and presents it to senior leaders, who provide immediate feedback. This program combines several aspects of effective leadership-development programs: content tailored to each employee’s needs, exposure to alternative ways of looking at a problem on a team with colleagues from across the organization, and the opportunity to work on real business issues rather than textbook examples. In addition to applying these principles in their formal training programs, agencies could consider them when staffing internal task forces—for example, by taking individual learning priorities into account when selecting task-force members.

Engaging and connecting employees

Employee engagement—the degree to which employees feel involved with and connected to

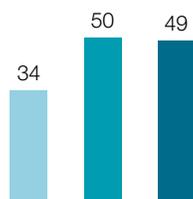
their work and the broader context of their organization—is a critical driver of performance and employee satisfaction. Our research shows that higher levels of employee engagement, as measured by employee surveys, advance the productivity and performance of public-sector institutions. Unfortunately, our research also shows that when compared with their private-sector peers, far fewer midlevel employees in the federal government report being highly engaged. In particular, there is a significant “engagement gap” between midlevel and senior government employees (Exhibit 3).

Agencies must strive to connect employees at every level—not just senior leaders—to their mission and strategy. The leadership of the Internal Revenue Service (IRS), in developing the agency’s most recent five-year strategic plan, sought input from a broad cross-section of agency employees. IRS leaders conducted a survey among more than 4,000 managers to understand

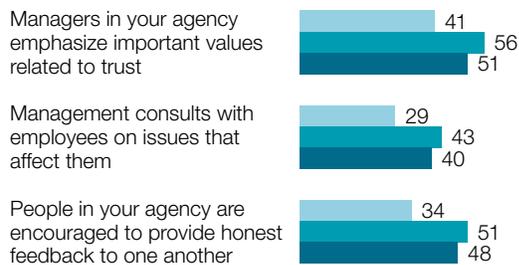
Exhibit 3

A significant ‘engagement gap’ exists between midlevel and senior government employees.

Index of employee-engagement responses,
% of respondents¹



Example questions to assess employee engagement, % of respondents who agree or strongly agree with each statement



■ GS 12-15²
■ SES³
■ Private sector

¹Average % of respondents who agree or strongly agree with a range of statements indicating a high level of employee engagement in their organization.

²General Schedule 12-15, pay grades of midlevel managers in the US federal government.

³Senior Executive Service, the most senior members of the career civil-service workforce in the US federal government.

Source: 2009 *Government Executive*—McKinsey survey of 500 US federal employees

how they currently spend their time and how they would like to spend their time. The IRS also held more than 40 focus groups—involving approximately 500 employees from across the country and in different pay grades—to get their perspectives on topics such as training and employee recognition. In addition, the agency set up a dedicated e-mail address and intranet site through which employees could comment on new initiatives. While the agency had previously conducted an annual employee survey, these more extensive outreach efforts have yielded qualitative data on what drives employee engagement, helping the IRS develop new ideas and programs to improve the employee experience.

Government organizations must also address the divide between career civil servants and political appointees. The objectives of the two groups can

be different—and even when they are aligned, members of each group often have perceptions that impede effective working relationships. For example, political appointees may regard career civil servants as too comfortable with the status quo, while civil servants may regard political appointees as seeking to make changes simply to achieve short-term political gains. Agencies attempting to bridge this divide, such as the US Department of Education, have begun including career employees in critical meetings to solicit their input prior to the launch of major initiatives, which helps to ensure their support and to create a common understanding from the start.

Strengthening HR capabilities

To strengthen the skills of HR personnel, agencies must establish a business partnership between HR leaders and the leaders of the agency's core operations. In such a partnership, each party must to some extent adopt the other's mind-set: HR leaders must increase their understanding of the agency's operational needs, while leaders of core operations must view talent management as a key element of their role.

The staffing model that agencies choose for their HR organization can help facilitate this partnership. In a model used by the US Intelligence Community (IC), a select number of employees from the operations side—analysts, for example—are seconded to fill HR roles for 6 to 12 months. In a similar model, also used in the IC, HR professionals fill HR leadership positions, but their deputies are mid- to senior-level managers on temporary assignment from the operations side. Many of these deputies report that the skills they learn in HR make them better all-around managers when they return full-time to their permanent roles.



An agency can also create opportunities for HR leadership to engage with the core operations staff through joint task forces and workshops. At the US Department of Housing and Urban Development (HUD), an initiative to reduce hiring times entailed a joint effort between HUD's Federal Housing Administration (FHA) and the HR function. The FHA's 115-day average hiring time was reframed as a problem of the entire agency, not just of HR. A joint task force, working together daily and engaging in workshops with leaders, analyzed the hiring process to find bottlenecks and then designed solutions. Under the new process, hiring managers—not HR—would create the slate of candidates to interview, ensuring that the candidates had the particular skills that the role required and thus reducing the need to create a second slate to make up for deficiencies. Hiring managers also had to meet tighter deadlines for completing the process. As a result, hiring times were reduced to an average of 77 days.

Agencies can also involve HR leaders in operational performance-review processes. At the US Department of Education, senior HR leaders now

play a prominent role in organizational-assessment sessions, in which they previously did not participate directly. In these sessions, they receive input from line managers into current performance and provide immediate feedback on implications for hiring needs. They also support the assessments by providing detailed data and reports (for example, regarding open or recently filled positions).



By looking beyond recruiting and hiring and embracing a comprehensive approach to talent management, federal government agencies can position themselves well for the workforce transition. Rather than simply replacing departing workers, they can thoughtfully source and cultivate the next generation of leaders. ○