Strategic Human Resource Management
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human capital, the knowledge, skills and experience possessed by individuals, has become pivotal for the successful performance of the federal government’s missions (McGregor, 1988). Because human resource management focuses largely on the acquisition and utilization of human capital, it too has attained new significance for federal organizations. In fact, many management scholars argue that human resource management is now an important, perhaps the most important, determinant of organizational effectiveness (Devanna, Fombrun, and Tichy, 1984; Schuler, 1990).

As human resource management has acquired greater importance, the research and professional literature has increasingly distinguished between conventional human resource management practice and strategic human resource management (see Lengnick-Hall and Lengnick-Hall, 1988 for a comprehensive review of this literature; McGregor, 1988, 1991). The distinction is intended to differentiate between conceptions of human resource management as functionally or administratively-oriented activities as opposed to integrated or strategy-driven activities. One idea associated with strategic human resource management is that the style of human resource management is consistent with the strategy of the organization and that human resource
practices are adjusted, accepted and used by line managers and employees as part of their everyday work (Schuler, 1992). Dyer and Holder (1987) suggest that a strategic perspective requires focusing first on organizational goals in defining the role of human resource management. "To manage strategically means that traditional HR objectives such as turnover or performance are superseded by organization-wide goals designed to complement a specific business strategy" (Dyer and Holder, 1987: 1).

The changing role of human resource management is part of a larger set of organizational changes involving strategy, structure and control systems. Organizations are increasingly giving subunits autonomy and holding them accountable for specific results (Barzelay, 1992; Osborne and Gaebler, 1992). They also rely increasingly on adhocracies, groups of experts temporarily brought together for specific projects (Reich, 1987; Peters, 1987; Peters and Waterman, 1982). Coordination often occurs through mutual adjustment across groups whose members overlap (Mintzberg, 1983). Jobs are vertically and horizontally broader in scope and less likely to require direct supervision. The expansion of job scope creates greater autonomy and entrepreneurship. This approach to empowering organizational members is readily extended to customers (Osborne and Gaebler, 1992). Organizations are also becoming more attentive to the costs of internal rules, striving to ensure that rules add value to goods or services.

How does human resource management in the federal government measure up to the visions of strategic human resource management articulated in the literature? Can federal human resource management become more strategic, i.e., integral to strategy making, adaptive, and useful to line managers and employees in their daily activities? This article addresses these questions. It argues that federal human resource management can become more strategic, but for this to occur, new organizational designs must be used. The presentation proceeds in two stages. It begins by summarizing criticisms of the federal civil service, and then presents alternatives for improving human resource management.

**Criticisms of federal human resource management**

Criticisms of federal human resource management typically involve at least three arguments. The most common is that federal personnel activities are over-regulated and too constraining (Colvard, 1988; Cooley, 1987; Horner, 1988; MSPB, 1993). Federal human resource management is perceived to be heavily constrained by statutory
requirements and regulations directed toward preventing failures. Managers and their agencies thus feel limited in their ability to tailor personnel policy to their own goals and missions. One Office of Personnel Management (OPM) Director (Horner, 1988: 35) explained her view of the consequences:

Each of the rules, regulations, and requirements of the U.S. Civil Service is well intentioned and designed to preclude unfairness or error. Together they have led to an administratively moribund system that disallows the exercise of human judgment and discretion.

A closely related criticism is that the system is, in the words of an OPM Associate Director, "complex and undecipherable to the unannointed" (Cooley, 1987: 1). Complexity is, in part, a product of the sheer volume of regulations. For example, even a Director of OPM (Horner, 1988: 35) found the 74 pages of rules on how much to pay a secretary excessive. The technical character of federal personnel administration also makes for complexity. The tendency of the personnel system to focus on technical issues such as number of rating levels and detailed classification standards has led to a situation where "rather than an integral part of the management process, the personnel system has become a separate and somewhat alien process" (Cooley, 1987: 1).

A third criticism is that the federal personnel system does not meet the needs of line managers. This problem is partly a result of the gulf between cultures—that is, between line managers and personnel professionals—that produces adversarial relationships. Line managers perceive personnel professionals as obstructionists. For their part, personnel professionals perceive line managers as uncooperative and either disinterested or, worse, antagonistic to merit principles. The two cultures are indeed separate and alien, limiting the prospects for making personnel an integral part of the management process.

The latter criticism is also a reflection of the inability of agencies and managers to tailor the system to meet their goals and missions. According to Associate OPM Director Claudia Cooley: "When managers look to the personnel system to meet their human resource needs, too often they get 'correct' answers which don't solve their problems" (1987: 1). King and Bishop (1991) attributed a high failure rate of new personnel programs to the disparity between personnel professionals' and line managers' perceptions of the criteria for human resource effectiveness. They concluded:

Eighty (80) percent of proposed personnel project/program improvements are dropped or modified, formally or informally,
within three years following implementation. The latter findings indicate that most failures result from difficulties in matching functional criteria to line managers’ needs rather than from managers’ reluctance to pursue corporate human resource goals. Clearly, HR professionals have good ideas which may be accepted, but these good ideas are not aligned to major business priorities.

**Toward strategic human resource management**

The criticisms indicate clear impediments to strategic human resource management in the federal government. A structure for effective management of human resources must:

1. Give agencies latitude to design human resource policy to match organizational strategies and missions.
2. Accord managers a high degree of responsibility for human resources.
3. Create clear accountability.
4. Establish appropriate support activities.

What changes would increase human resource management’s integration with organizational strategy, its flexibility, and its utility to organizational members? The proposals below provide the design for more strategic human resource management.

**The OPM-Department relationship**

How might the relationship between OPM and cabinet departments and agencies be structured to allow agencies to design human resource policy that fits their organizational strategies? One way would be for OPM to develop broad performance contracts with departments for a fixed time span, for example, five years. These contracts would permit the department to articulate the goals for human resource management, identify objectives, and measure progress using appropriate indicators such as productivity levels, employee satisfaction, and skill development. During the course of the performance contract, departments would report progress against their goals. OPM would monitor progress and evaluate performance at the conclusion of the period prior to authorization of a new contract.

The performance contracting approach has several advantages. First, it allocates a high degree of autonomy to departments and agencies, which gives them the flexibility to tailor their human resource management systems to their own mission and goals. For example, an
agency such as EPA might be given the latitude to eliminate individual appraisals and rewards for its professional staff and instead use group appraisal and incentives exclusively to meet the needs of a highly technical, research-oriented work force. The flexibility of the performance contracting approach would eliminate the “one size fits all” nature of the present system and maintain meaningful oversight.

A second advantage is that performance contracting shifts attention from compliance with rules to showing results. The central question confronting OPM and the departments becomes: What results do we want to achieve and how do we achieve them? The propensity of performance contracting to increase the focus on results complements the recommendations of GAO (1992) and MSPB (1992) in recent reviews of OPM’s personnel management evaluation system. In calling for better indicators of personnel management effectiveness, MSPB (1992a: vi) recommended: “Such indicators should seek to establish and reinforce the link between mission accomplishment capability and various personnel management practices, policies, and procedures.”

Performance contracts can be written to protect the merit system. Verification of prohibited personnel practices would be the basis for withdrawing agency autonomy and tightening OPM regulation. The system would continue to be anchored in merit principles, but it would not involve nearly as much red tape.

The shift to performance contracts as an oversight instrument does not necessarily mean immediate or radical change. Agencies would be free to develop new tools at their own pace. What this more flexible arrangement would mean is a shift in responsibility for human resources and new criteria by which agency activities would be assessed.

An idea similar to agency-level performance contracts is already being tested in Great Britain (Corby, 1991). In 1988, The Next Steps report found that the civil service was too big and diverse to be managed centrally under common rules. By 1991, responsibility had been transferred to 34 agencies, and actions involving another 28 agencies were pending. Initial indications are quite positive for this experiment.

Despite granting increased autonomy to departments and independent agencies, coordination among federal organizations can be maintained with a minimum of rules. What are some of the characteristics of the new architecture for coordination? One is the use of ad hoc arrangements (Mintzberg, 1983). OPM has been moving slowly toward adhocracies in testing, classification, and training. Several features will be hallmarks of the adhocracies. One feature is that a variety of people from throughout government, both line and staff, will contribute their expertise, leadership, and vision. OPM will often play
a supporting role. Another feature is that the adhocracies will permit choices about sources for internal services. A third feature is that they will be funded by revolving funds or similar mechanisms, much like many training services are presently supported (Agresta, 1993; OPM, 1992b). Interagency task forces could also provide important forums for exchange of information. Some of these mechanisms are already being used by the Clinton Administration to tackle major public problems such as health care and welfare reform (Pearlstein, 1993).

Another mechanism for linking loosely coupled units is information systems that support flexibility, communication, and oversight (Gerstein, 1992). The design and operation of most personnel information systems is presently driven by the regulatory needs of personnel offices. These systems are less management information systems than they are personnel record keeping systems. Newell (1992: 42) provides an example of the present gap between data availability and useable management information:

In short, OPM collects 57 types of demographic, occupational and salary information from more than three million civilian workers, generating more than 400 reports a year. But attempting to use the data to help managers manage better would be like trying to explain what makes the space shuttle fly by looking at a list of its parts.

Flexible, comprehensive information systems that permit data aggregation in a variety of ways can encourage interactions between line managers and personnel support units and move the personnel function toward a consultative orientation. Such information systems must be available on distributed networks while, at the same time, providing appropriate privacy protections.

The roles of OPM and the departments
Changing the relationship between OPM and the departments affects their respective roles. As the relationship becomes less adversarial and more collaborative, OPM will need to increase its capacity to produce useful information and the departments will need to become more proactive in developing personnel policy.

- OPM’s role. When it was created in 1978, the OPM was conceived to be “the right arm of the president as leader of the federal public service” (Zuck, 1989: 21). The Civil Service Reform Act of 1978 (CSRA) intended that OPM provide broad policy guidance to agencies, conduct research and development, and oversee implementation of merit system principles (Lane, 1992). From the perspective of several oversight bodies (National Academy of Public Administration, 1983; GAO 1989; MSPB, 1989; National Commission on the Public Service,
1989), OPM's performance has fallen short of expectations. OPM acknowledged the need for change in its 1990 strategic plan (OPM, 1990): “OPM’s emerging leadership style, while retaining guidance, assistance and oversight, relies increasingly on communication, research, flexibility and involvement.”

The changes in the OPM-department relationship will require OPM to revise its mission to allow for a larger role for research and development activities. In today's highly complex and rapidly changing world, OPM can wield far more positive influence over the merit system via the knowledge it develops and disseminates than the rules it writes. However, OPM has almost no research and development capacity. The agency now spends only .01 percent of the civilian payroll on research and development (Newell, 1992).

Greater research and development capacity would permit quicker and more effective responses to the types of problems that have beset federal human resource management in recent years in the areas of pay, performance management (Milkovich and Wigdor, 1991), labor relations (U.S. GAO, 1991), and automation. Reported inadequacies in many human resource programs admittedly are caused by factors beyond OPM's control, but the problems are exacerbated by its inability to generate ideas to deal with them quickly and effectively (GAO, 1989 and MSPB, 1992b).

*Departments' role.* As OPM becomes a more research-oriented, knowledge-based enterprise, departments and agencies would assume responsibility for policy making and programming to meet organizational mission requirements. Allocating policy-making responsibility to departments and agencies is the first step in locating accountability for human resource management where it is used by program units and line managers. As a manager at an agency exempted from title 5 U.S.C. observed at a 1990 National Academy of Public Administration symposium: "We know we can never be on automatic pilot. We're responsible for managing our people well; if something isn't going well we can't blame some 'regulations' someone else issued. It's up to us to fix it." One means for creating line management's commitment to human resource management is to integrate it more effectively with agency mission. The most direct way of doing so is to give greater latitude to departments and agencies for policy development.

Turning over policy development to departments and agencies is a step toward decentralization and internal deregulation, but it does not assure optimal human resource management. Departments often retain authority that is better delegated to subordinate levels (U.S. OPM, 1992a). In its oversight and leadership role, OPM could develop means for facilitating decentralization within agencies. Furthermore, once a greater policy role is delegated to departments and a new course is set for relationships among organizations, bureaus and other.
subordinate units may seek greater autonomy for human resource management.

Integration of functional activities
The changes in the roles of OPM and the departments will begin to break down traditional barriers between specialized personnel functions, but restructuring must be reinforced throughout government. The existing functional bias of human resource organization must be dealt with explicitly. Among the mechanisms for doing so are modification of career paths for managers and specialists, and carefully rethinking the internal organization of personnel departments.

• Reorganizing human resource units. Baird and Meshoulam (1988) argue that efforts to produce integration and flexibility in the human resource function require that it be structured around core points of integration, not based on subfunctions such as classification and pay. They suggest this requires organization around client groups or integrative activities such as planning, research, and information systems. Miles and Snow (1984) suggest that organizations using ad hoc, flexible, loosely coupled structures are likely to stress services such as career and human resource planning, job rotation, organization development and team building.

• Developing generalists. A variety of well-known job rotation strategies (Hall, 1976), which have been little utilized in federal organizations, could contribute to integration. Rotating line managers through human resource functions and human resource specialists through line positions as part of career development programs would help to reduce existing organizational barriers. There is some research which indicates that there is a better linkage between strategy making and human resources in firms requiring senior human resources executives to have substantial line experience (Baird and Meshoulam, 1988; Buller, 1988). The higher integration can be explained in two ways: (1) broadly experienced human resource executives have a good knowledge of the organization and its human resources and are thus in a good position to integrate the two; and (2) because of their line experience, functional managers are perceived as credible by top managers and thus are given a fuller role in the planning process.

Another step toward integration would be to redefine the job of personnel specialists. When personnel specialists at each level of federal organization dominate policy making about particular issues, such as classification or pay, it is difficult to distribute ownership for human resource management. The role of the personnel specialist must become broader. These jobs must be enlarged and enriched as a means of integrating functional activities. For example, the Bureau of Labor Statistics has experimented successfully with customer-focused
teams of personnel generalists as a way of broadening personnel positions (Coffee, 1992).

A third means for increasing integration would be through manager training. For example, the research and professional literature indicate the value of managers being trained in career counseling and job design skills (Hall, 1976). To the extent that line managers have such skills, they will be better able to manage human resources effectively. At the same time, devolving such responsibilities to the line manager facilitates development of a leaner and more consultative role for the personnel department.

**Leadership**

Although many of the current problems of federal human resource management involve organizational design issues, the impetus to bring about fundamental change requires political leadership. The President and the director of OPM must commit to bringing about the organizational changes that will facilitate substantive responses to the needs of federal organizations. Executive leadership must begin with a perspective that recognizes the dynamic relationships among strategy, structure, human resource management, and performance (Senge, 1990). A vision that is sensitive to the needs of all stakeholders is vital for effective human resource management (National Academy of Public Administration, 1993).

Executive leadership must be manifest in more than the vision for federal human resource management. As the short history of the Office of Personnel Management reflects (Lane, 1992), a president’s choice for director of the Office of Personnel Management has considerable influence on the performance of the agency. The OPM director establishes a course for the agency, makes important decisions about staff that affect agency capacity, and creates a climate for congressional and interagency relations. Each of these activities is essential to the long-term effectiveness of federal human resource management.

Given the size and scope of the federal government, transformational leadership must diffuse well beyond the Executive Office of the President and OPM. Cabinet members, assistant secretaries, and personnel directors must work to ensure that authority and responsibility for human resource management is delegated to the lowest possible levels in their organizations. This process would be facilitated by opportunities for cabinet members to develop close working relationships with the OPM director.

Another leadership issue is congressional-executive relations. The authorization and long-term implementation of the changes outlined above will require development of constructive, trusting relationships between Congress and the executive branch. Such relationships are the mutual responsibility of Congress and the execu-
tive branch. However, steps by the President and the director of the Office of Personnel Management can go a long way toward encouraging a mutually satisfactory response from Congress.

Conclusion

One test of the effectiveness of our public administration institutions is whether they can adjust to new circumstances and yet retain the core values that make them so important to our society. One public administration institution, the federal civil service, has endured for over a century because of its ability to adapt. In recent years, powerful environmental forces—a soaring federal deficit, global economic competition, information technology—have created new challenges for the federal civil service.

This article offered several ideas for responding to the new challenges. It proposed restructuring federal civil service to align it more closely with developing strategic, structural, and control systems. Among the proposed changes were using performance contracting as a mechanism for setting direction and assessing results, shifting OPM's mission toward more research and development to improve its capacity for guiding federal human resource management, and giving greater autonomy to departments and agencies to tailor policies to their missions. The proposed changes would decrease the regulatory character of current systems and diffuse ownership for human resource management more widely. More important, such changes would renew the capacity for the federal civil service to pursue meritocratic values.

Notes

1Statutory changes would be needed to facilitate the flexibility envisioned by this proposal. OPM has some discretion to authorize alternative systems for title 5 agencies. For example, the Federal Employees Pay Comparability Act of 1990 (FEPCA) allows OPM to use title 38 for some health care occupations currently covered under title 5 (U.S. MSPB, 1991). This type of statutory discretion would need to be broadened. One way might be to permit OPM to authorize the use of any existing legislation for agencies that can demonstrate its appropriateness. Another would be to allow the use of demonstration provisions that are proven useful in a five-year trial. This approach would encourage more rapid diffusion of innovations and avoid the need to show their government-wide applicability, which has been a stumbling block to benefits from Title VI of CSRA (see Ban, 1992).

2In addition to its core mission of providing strategic direction for federal human resource management, OPM has operational responsibility for investigations and federal employee retirement systems. This article addresses only OPM's core mission.

3For another proposal for radical redefinition of OPM's mission to align
it with new organizational realities, see Abramson (1988). The present analysis ignores the issue of OPM's location in the federal administrative structure. For example, some have proposed that OPM and OMB be merged. Although changing OPM's organizational location may have merit, the proposals do not deal directly with the systemic problems of overregulation and lack of line manager ownership. For a history and analysis of the OPM/OMB relationship see Radin (1992).

References


