Leading public organizations here and abroad have found that strategic human capital management must be the centerpiece of any serious change management initiative and efforts to transform the cultures of government agencies. Unfortunately, the federal government’s strategic human capital approaches are not yet well positioned to enable the needed transformation.

Since we designated strategic human capital management as a governmentwide high-risk area in January 2001, Congress has taken a number of steps to address the challenges identified, including granting agencies significant new authorities for managing their human capital as part of the Homeland Security Act of 2002. The strategic management of human capital was also placed at the top of the President’s Management Agenda. Individual agencies have also taken action to address their specific challenges.

Despite the considerable progress over the past 2 years, it remains clear that today’s federal human capital strategies are not appropriately constituted to meet current and emerging challenges or to drive the needed transformation across the federal government. Specifically, agencies continue to face challenges in four key areas:

- **Leadership**: Top leadership in the agencies must provide the committed and inspired attention needed to address human capital and related organization transformation issues.
- **Strategic Human Capital Planning**: Agencies’ human capital planning efforts need to be more fully and demonstrably integrated with mission and critical program goals.
- **Acquiring, Developing, and Retaining Talent**: Additional efforts are needed to improve recruiting, hiring, professional development, and retention strategies to ensure that agencies have the needed talent.
- **Results-Oriented Organizational Cultures**: Agencies continue to lack organizational cultures that promote high performance and accountability and empower and include employees in setting and accomplishing programmatic goals.

Importantly, although strategic human capital management remains high-risk governmentwide, federal employees are not the problem. Rather, the problem is a set of policies and practices that are not strategic, and viewed by many as outdated and over-regulated. In the final analysis, modern, effective, and credible human capital strategies will be essential in order to maximize the performance and assure the accountability of the government for the benefit of the American people.