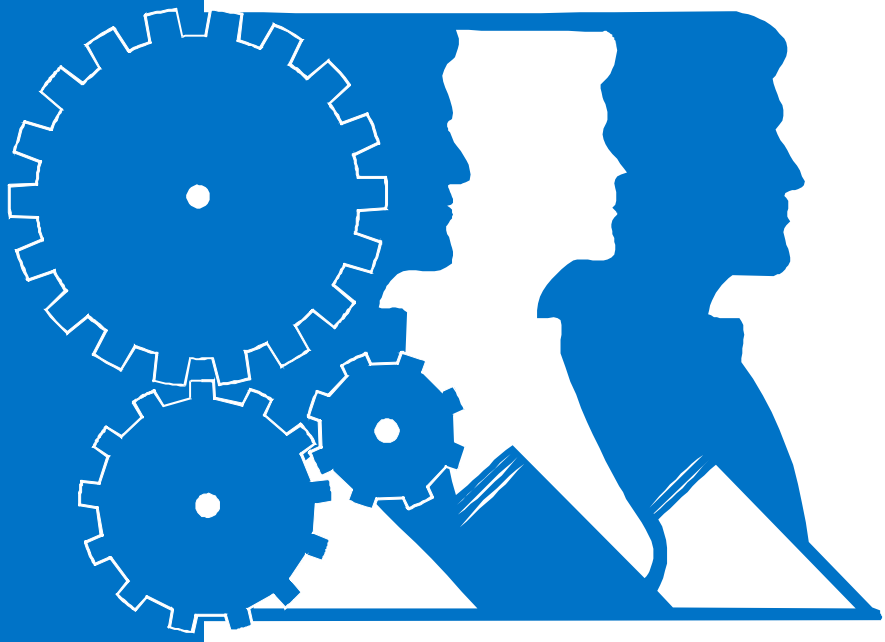
CHIEF FINANCIAL OFFICERS COUNCIL

AND

JOINT FINANCIAL MANAGEMENT

IMPROVEMENT PROGRAM

Building The Work Force Capacity to Successfully Implement Financial Systems



April, 2002

FOREWORD

The federal financial management community is facing many challenges. One of these challenges is having financial management systems that provide managers with reliable, timely and accurate financial information to decision makers. Another challenge is recruiting and retaining a qualified work force to successfully implement new financial systems. The Joint Financial Management Improvement Program (JFMIP) staff was requested to study this human capital issue on project management, and identify strategies to build the work force to successfully implement financial systems.

The E-government/Systems Committee and the Human Resources Committee of the U.S. Chief Financial Officers Council worked collaboratively with the JFMIP staff on this project. This document provides strategies to improve the recruitment, retention and training of personnel working on financial system implementation at Federal agencies. The recommendations will assist agencies to build their work force to undertake complex financial system initiatives.

The CFO Council Committees and JFMIP appreciate the contributions from those agencies sharing their experiences and views on project management and their recommendations to improve the human capital aspect. We value your assistance and support, and look forward to working with you on challenges facing federal financial managers.

Executive Summary

One of the priorities of the U.S. Chief Financial Officers (CFO) Council is to improve financial performance through better financial management systems. By 2004, 62 percent of the financial system applications will reach an end life. This creates a critical need for approximately 500 highly competent project managers and 5,000 team members to support the implementation of new systems.

The Bush administration has identified several management reform initiatives, including strategic management of human capital, improving financial performance and expanding e-government. A key concern is whether the federal government will have qualified personnel to work on meeting these management goals. To obtain better financial management information, most federal agencies will use commercial off-the-shelf (COTS) financial software packages to implement their new financial management systems. They face a higher risk of project failure if they do not have qualified personnel to manage the implementation projects. The labor market for experienced project managers is very tight, and the availability of project managers with COTS experience is even tighter. This is a major issue that federal agencies need to address since considerable resources are at risk.

Under the auspices of the Financial Systems Committee and Human Resources Committee of the CFO Council and the JFMIP, an interagency team was established to develop strategies to build the work force capacity for financial system implementation projects. The team made recommendations in several areas, including recommending a "model financial system implementation team," strategies to recruit qualified project managers and team members, ways to retain personnel in federal agencies using current legislation and regulations, and better project management training at federal agencies.

Some of the recommendations for each area are as follows:

Model financial system implementation team

- Designate a senior-level champion to provide strategic direction, make decisions and remove barriers to success.
- Develop a planning document to implement a financial system that identifies personnel who are accountable for timely deliverables.
- Ensure cross-functional participation and support (Chief Financial Officer, Chief Information Officer, human resources executive, program areas, subject matter experts, etc.).
- Ensure project managers are equipped with the right skills to implement financial systems within the agency.
- Ensure adequate resources (people, money, and time) are committed to do the job right.
- Ensure that the implementation team is comprised of zealous individuals with the right skill mix and attitude to complete assigned tasks.
- Develop a well-conceived change management strategy that addresses required business process changes, technology changes, and associated personnel changes.

Recruitment strategies

- Simplify the administrative hiring process and reduce processing time.
- Promote public service.
- Develop special strategies for senior project managers and for entry and journeyman-level personnel.
- Develop a corporate database of available project management resources.
- Identify a cadre of senior project managers and their teams experienced in successfully implementing a COTS financial management system package in a federal agency.

- Establish a two-track system using excepted appointments with market-based pay, bonus options, full benefits, and promotions and pay increases based on competencies and performance.
- Use special salary rates, temporary promotions, and appointments.
- Use recruitment and relocation bonuses, and retention allowances.
- Use expanded authority to repay student loans.
- Provide ongoing training and developmental assignments.
- Develop relationships to tap unique pools of talent for project management, financial management, and information technology skills, i.e. former or retired military and civilian personnel or similar sources within the private sector, as well as institutions of higher learning, recognized certification programs, and professional associations.
- Work with the Office of Personnel Management (OPM) to establish a special salary rate for financial management system staff positions comparable to the information technology personnel.
- Use branding/marketing to establish a positive image for the agency.
- Broaden the search by using alternative advertising.
- Pay employee referral bonuses.

Retention strategies

- Use group retention allowances, awards, and recognition programs.
- Create challenging work assignments and better work environments.
- Use financial incentives to encourage employees to build and maintain their professional competence; compensate for designated professional certifications.

Training strategies

- Encourage professional development of individuals by setting aside part of the organization's budget and the financial system implementation project's budget for training.
- Provide executive-level training for the project sponsor and steering committee. Use programs such as the Strategic and Tactical Advocates for Results (STAR) Program to give government executives the skills necessary to face the challenges of today's management environment

where agency finance, business, and information technology people need to be comfortable operating together—strategically and tactically.

- Establish a career development program to give personnel the opportunity to work on financial systems projects.
- Have senior project managers or recently retired project managers mentor employees who need to learn about managing projects.
- Develop a strategy and identify the technical skills that should be contracted out and those that should be provided by staff.
- Develop agency-specific courses for financial system implementation as indicated.
- On the job training (OJT) program that rotates individuals through the various business functions of the agency to gain the day-to-day operational view of the agency's mission.

Next Steps

- Have OPM consider a special salary rate for financial management system staff positions comparable to the information technology personnel.
- Use branding/marketing to establish a positive image for the agency.
- Broaden the search by using alternative advertising.
- Pay employee referral bonuses.

The federal government must act now to dedicate resources for building a better work force capable of implementing financial management systems at agencies. We need to identify administration officials to discuss project management and human resources issues so that mangement goals are met. We also recommend OMB work force reviews raise questions on whether agencies have qualified personnel to meet the administration's management reform goals for e-government and financial management performance. More partnerships need to be established to obtain competent personnel to successfully implement financial systems.

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Abbreviations

CFO	Chief Financial Officer
CIO	Chief Information Officer
COTS	commercial off-the-shelf
GAO	General Accounting Office
GOTS	government off-the-shelf
JFMIP	Joint Financial Management Improvement Program
OMB	Office of Management and Budget
OPM	Office of Personnel Management
STAR	Strategic and Tactical Advocates for Results

INTRODUCTION

Federal agencies use core financial management systems and other systems to track financial events and summarize information to support agency missions, provide for adequate management reporting, support agency policy decisions necessary to carry out fiduciary responsibilities, and support the preparation of audited financial statements. In fiscal year 2000, 698 operational systems and approximately 1,044 applications were in use, at an annual cost of about $2.3 billion.[1]

Change management is a critical concern. By 2004, 62 percent of the system applications will reach an end life. The CFO Council identified several human resources issues that must be addressed to successfully move forward with the planned system upgrades and replacements. The magnitude of the human resources issues (recruiting, retaining, and training qualified project managers and team members) is defined as follows: with an average of 10 federal government employees per project and an estimated 500 projects underway at any point, 500 highly competent project managers and about 5,000 team members will be needed to support these implementations.

In today's job market, there is a high premium for experienced project managers. To compete in the tight market, the federal government needs effective strategies to recruit, retain, and train personnel capable of successfully implementing financial systems. Recruitment is the primary challenge. Individual agencies competing among themselves for a limited number of project managers within the federal government will not meet federal work force needs projected for 2004. The federal government must address this problem in a corporate way and build its work force capacity.

The General Accounting Office (GAO) has designated strategic human capital management as a governmentwide high-risk area. Many agencies are experiencing serious human capital challenges, such as skills imbalances, succession planning challenges, outdated performance management systems, and understaffing. *The GAO Performance and Accountability Series* and *High Risk Update* (published January 2001) provide additional perspectives on reforming and modernizing the federal government's approach to managing its people.

This report provides a basis for the federal government to begin a disciplined change management process and build the capacity within its work force to implement financial systems projects over the next 5 years. An interagency team prepared the study. Representatives were from the CFO Council's Financial Systems Committee and Human Resources Committee and JFMIP (see Appendix A). The report is based on the experiences of federal agencies that have recently implemented financial systems. The evaluation team noted that, without exception, federal agencies adopted a project team approach to implementation. In addition, representatives of organizations within and external to the federal government were asked to identify common recruitment, retention, and training strategies that they considered essential. Finally, senior executives and project managers were interviewed to identify practices needed to attract and retain good people. Several studies, guidelines, and other written materials were also considered.

This report begins with a section that provides details on the structure of and roles needed in a "model" financial system implementation team and briefly addresses the variety of skill sets required by the team. The report then suggests specific strategies for recruiting, retaining, and training project managers, financial system analysts, system accountants, IT personnel, and others responsible for implementing financial management systems.

[1] Source: Office of Management and Budget.

MODEL FINANCIAL SYSTEM IMPLEMENTATION TEAM

This "model" financial system implementation team assumes that the system being implemented uses commercial off-the-shelf (COTS) or government off-the-shelf (GOTS) software. In other words, an *existing* system is being implemented rather than a new system being custom built. This section does not address the system development process, which is more complex, or the significant changes to processes, organization, and culture that are required when implementing COTS or GOTS systems. This "model" does not reflect implementing a financial system at an application service provider.

The general phases of the system implementation process are as follows:

- Business needs and requirements analysis (including security)
- Business process reengineering
- Project planning, which includes
  - risk assessment and
  - infrastructure assessment
- Software evaluation, selection, and installation
- Software configuration
- Testing
- Training
- Software development (interfaces and enhancements)
- Data cleanup and conversion.

The complexity and success of each of the above project phases depend on many factors beyond the scope of this human resources study. The following factors, however, are critical to the success of the overall project:

- A senior-level champion (sponsor) to provide strategic direction and support and to remove barriers to the project's success
- Cross-functional participation and support (CFO, Chief Information Officer, program areas, subject matter experts, etc.)
- A strong, appropriately experienced project manager with authority to make decisions
- Good communications throughout the project, including a management document that identifies critical actions and people responsible for deliverables, and holding parties accountable for these deliverables
- Sufficient resources (staffing and funding)
- A well-conceived change management strategy that addresses required business process changes, technology changes, and associated personnel changes.

These critical success factors imply the need for a steering committee of senior agency executives to provide oversight for the successful implementation of the project, a senior executive sponsor for the project, and a well-integrated team of individuals with a variety of expertise and backgrounds. At a minimum, the steering committee should include the Chief Operating Officer, Chief Financial Officer, Chief Information Officer, human resources executive, and the agency's procurement executive or their designees. In addition, where the complexity and scope of the project is large and covers multiple program areas, a senior management official with all-encompassing authority to arbitrate decisions may be a critical member and the appropriate project sponsor.

The project manager of the financial system implementation project should keep the steering committee continually apprised of the status of the project. He/she should have a combination of skills and experience in project management, financial management, and systems implementation.[2] Equally important, the project manager should have an understanding of the processes unique to federal

[2] For a description of core competencies, see *Core Competencies for Project Managers Implementing Financial Systems in the Federal Government*, published in April 2001 by the CFO Council and JFMIP.

financial systems implementation, such as Standard General Ledger, year-end closing processes, etc. A project manager hired from outside the organization can successfully implement a financial system, especially in smaller projects where the cost and risk is relatively certain. Knowledge of the agency's mission, function, and business processes can be gained by assigning a business area representative to the project team. The odds that the needs of the organization will be fully met are improved when the project manager has first-hand knowledge through previous work experience within the organization.

The project team typically consists of personnel on loan to the project from various affected groups throughout the agency—a "matrix" structure. In addition to the organization's own personnel, an array of outside contractors may also be on the project team. These contractors may be the owners of a proprietary software package, consultants in the role of integrators or vendors to perform independent verification and validation. (Typically contractors perform many of the development, implementation, and training functions. The software vendor and consulting firms may or may not form a "vendor team.")

The risk of a project not succeeding increases in proportion to its size and complexity. Ideally, the agency will minimize software customization by selecting the software that best fits the organizational requirements. The size of the project team depends on the scope and complexity of the project. Factors influencing the size of the team include the extent of the data conversion, the scope of the functionality being implemented, and the amount of customization required for package implementations. The degree of risk and the greater need for good project management discipline are affected by the number of commercial contractors with specialized responsibilities that are used.

In addition, based upon the implementation team's specific recruiting, hiring, retention, and training needs, human resources management personnel may be used to help determine and reach the best path to achieve desired resources. Functional specialists in areas such as classification, compensation, performance management, staffing, and training may be consulted or added as members of the team.

Roles of Implementation Team

Regardless of the team's size, the roles needed on the team are consistent across financial system implementation projects. Table 1 describes them. Many of the roles require dedication of full-time staff for one or more of the project's phases. The number of full- and part-time positions may change throughout the system's development life cycle. Flexibility in managing project resources based on changing staffing needs is critical to the project's success.

Table 1. Roles, Reporting Structure, and Responsibilities of Financial System Implementation Team

Role	Responsibility
Project manager	Consult with the steering committee on strategy, objectives, and project issues requiring senior-level decisions. Ensure that change management strategy addresses required business process changes, technology changes, and associated personnel changes. Make day-to-day decisions about the project. Oversee government and contractor personnel assigned to the project to ensure the project stays on track and within budget.
Systems integrator	Lead the project in planning for the integration of systems into the organization's environment, which entails knowledge of the technical infrastructure of the organization, the systems/products to be implemented, and the business processes to be affected. Can be assigned to in-house staff or to a contractor.
Information technology manager	Lead technical staff members in data conversion, interface programming, and report development (when done in-house by government personnel). Advise the project manager on technology and infrastructure needs.
IT analysts	Code conversion programs, interfaces, and customizations (if not done by contractor).
Functional team leader	Lead functional experts providing operational expertise to the implementation effort.
Functional experts	Develop requirements, assist with system configuration decisions, and lead various implementation tasks such as business process reengineering, cleanup of legacy system data for conversion, verification and reconciliation of converted data, acceptance testing, and user training.
Financial systems analysts	Support the development of requirements and systems configuration design. Support implementation activities such as data conversion, acceptance testing, and training. Play a key role in business process and workflow analyses associated with the system implementation.
Database administrator	Maintain the database architecture of the new system.
Program office personnel	Throughout the project life cycle, ensure that the implementation team clearly understands the organization's requirements. May be involved in data conversion efforts affecting their organization.
Vendor team leader	Work closely with the project manager in managing the project plan, providing advice if he/she sees a better way to do business.
Vendor team	Develop and implement the system. Train the organization's system users.
Independent verification and validation contractor	Provide quality assurance in the overall implementation effort. Review the quality of vendor deliverables and serve as a key player in acceptance testing of the system.
Critical path administrator	Assist with administering the project. Monitor and maintain an integrated project plan to ensure that the implementation is proceeding according to plans and specifications.
Inspector general representative	Serve in an informational and advisory capacity. Provide advice on internal controls and security issues to ensure the system meets statutory requirements.
Contracting Officer's Representative or Contracting Officer's Technical Representative	Monitor contract performance, receive contract deliverables, and authorize payment to the contractor.
Procurement/contract specialist	Serve in an informational capacity, as designated by the Contracting Officer's Representative. Assist with technical questions about the fulfillment of the contract, contract amendments, and so forth.

Major Competencies

The three major competencies required from personnel involved with implementing a financial system are project management, financial management, and information technology management. Human resources and training specialists may be used to develop strategies to ensure team members have or obtain identified skills. Some of the specific skills required within each area are as follows:

- Project management
  - Experience with or knowledge of the system being implemented
  - Planning and critical path management
  - Acquisition and contracting
  - Capability to use a variety of project management tools
  - Effective communication skills
  - Measurement of project performance
  - Organizational development skills
  - Knowledge of financial systems implementation processes
- Financial management
  - Experience in various financial management processes
  - Knowledge of internal organizational needs for financial management data and existing financial systems
  - Knowledge of federal requirements, including the following:
    - Financial management requirements (OMB circulars, Treasury reporting requirements)
    - System requirements (JFMIP core financial management system requirements)
    - U.S. Standard General Ledger
    - Federal accountability standards
- Information technology management
  - Knowledge of the systems development life cycle
  - Familiarity with IT and systems integration processes
  - Ability to communicate with IT staff and functions
  - Architecture and capital budgeting planning
  - IT infrastructure standards
  - Telecommunications
  - IT security.

It is also important for project team members to be familiar with other areas in addition to their own area of expertise. For example, financial systems analysts primarily need to have strong skills in financial management; however, they also need some basic systems development experience.

RECRUITMENT STRATEGIES

The study team identified and examined strategies for recruiting project managers, financial system analysts, system accountants, IT personnel, and others who implement financial management systems. Strategies and practices that federal agencies can use are described below.

SENIOR PROJECT MANAGERS

Strategies that can be used to recruit senior personnel are as follows:

- *Develop a corporate database of available project management resources.* An inventory skill bank can be developed and maintained, identifying individuals with significant project management experience. The database can also contain information on ongoing and planned agency systems. The database can serve as a useful tool for organizations seeking project managers and team members, while identifying new opportunities for project managers who are nearing completion of their current assignments. Much of this information may be collected already; however, the information has not been organized in a way to facilitate matching project management resources to available projects.
- *Identify a cadre of senior project managers and their teams who have successfully implemented COTS financial management system software packages in federal agencies.* Information on senior project managers and their teams who have successfully installed COTS financial systems packages at federal agencies will be maintained on a database. The information would be updated by the agencies and the information would be retrieved through the Internet. The information can only be accessed through the CFO Financial Systems Committee (Members Only) website.
- *Establish a two-track system.* The public sector can develop new strategies to improve its ability to compete with the private sector on pay issues. Instead of limiting itself to a single track General Schedule system as currently exists, organizations can use excepted appointments to establish a second track of limited term appointments with market-based pay, bonus options, full benefits, and promotions and pay increases based on competencies and performance.[3] Employees on the second track can be required to maintain their project and financial management competencies. Agencies have the flexibility in determining how long they want to make an excepted appointment. Use of an individual development plan is key to maintaining competencies.
- *Use temporary Senior Executive Service (SES) or General Management/Schedule (GM/S) appointments or Experts and Consultants appointing authority.* Term appointments last at least 1 year but do not exceed 4 years. Organizations can be flexible about offering positions based on the duration of a project or defined by some other event or date. Depending on the circumstance, this might appeal to both the agency and employee. In addition to basic pay, limited term appointment awards can be issued for up to $10,000 per award. There is latitude within the current experts and consultants appointing authority for excepted appointments.
- *Compensate for superior qualifications.* Agencies have budgetary authority to offer a higher step to candidates with superior experience or education.
- *Use recruitment bonuses, relocation bonuses, and retention allowances (3Rs).* According to a 1999 study by OPM, use of the 3Rs is

[3] National Academy of Public Administration, *Summary Report The Transforming Power of Information Technology-Making the Federal Government an Employer of Choice for IT Employees*, August 2001. The market-based pay system would require legislative change.

highly beneficial in attracting and retaining good employees:[4]

- *Recruitment bonuses*. Agencies can give new recruits a lump sum payment of up to 25 percent of his/her base pay. (Before recruitment visits, the agency must decide whether to allow this incentive and, if so, give the recruiter authority to offer it.)
- *Relocation bonuses*. Agencies can give employees up to 25 percent of base pay as an incentive to relocate to fill a difficult-to-fill position.
- *Retention allowances*. Agencies can provide continuous biweekly payments of up to 10 percent of base pay for a group or category of employees (up to 25 percent with OPM approval) to retain highly qualified candidates during the life of the project.

Since May 1991, 42 departments and agencies have used 3R incentives. Recruitment bonuses are most prevalent for entry-level positions, whereas relocation bonuses and retention allowances are more prevalent at the GS-9/13 levels.

- *Develop relationships to tap new talent pools.*
  - Work with professional organizations, educational institutions or certification programs to tap new talent pools.
  - Agencies can recruit former or retired government personnel with the right mix of financial management and information technology skills. Many former and retired military personnel have been groomed to be project leaders and possess the necessary skills to manage resources, provide discipline, and meet deadlines. Information on retaining retirement pay and benefits while reemployed by the federal government is on OPM's website (http//www.opm.gov).
  - Agencies can recruit individuals from the private sector who want a working environment that will enable them to have challenging assignments, while having a family friendly work environment
- Solicit OPM for an across-the-board special salary rate for financial management system staff positions.[5]

Entry- and Journeyman-Level Personnel

Strategies that can be used to recruit entry- and journeyman-level personnel are as follows:

- *Promote public service.* Agencies can promote public service as a good career choice not only at college campuses but also at the high school level. Public servants can develop relationships with high school administrators who will allow them to participate in career day activities and have an overall presence at the schools.
- *Establish a formal recruitment plan for entry-level employees.* Agencies can have a well-defined recruitment plan in place well in advance of any scheduled trips. Building relationships with school personnel is important to ensure a continuous flow of high-quality candidates. The recruitment plan should include training of recruiters and establishment of relationships with targeted educational institutions. In addition, agencies should establish relationships with recognized certification programs and professional associations.
  - *Trained recruiters*. Those involved in the recruitment process should be trained for the task. OPM offers 1- to 3-day courses on recruitment orientation. Many other entities provide similar courses.

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[4] Office of Personnel Management, *FY 1999 Report of Special Study on the 3Rs*, December 1999.

[5] OPM announced a special salary schedule for IT workers, series 334, grades 5–12, in the federal government. See http://www.opm.gov/hrmc/2000/msg-088b.htm.

- *Establish relationships with educational institutions and certification programs.*
  - Research should be conducted to ensure that institutions targeted for recruitment have a curriculum consistent with the employment needs (for example, strong accounting or IT departments). Whenever possible, agencies should use alumni in senior-level positions as recruiters. Recruiters should build relationships with college deans and career services personnel. These relationships can provide access to potential hires before career fairs and similar events.
  - To increase the pool of available resources, agencies can recruit at schools that have large minority enrollment, such as schools designated as Minority Serving Institutions by the Department of Education. Agencies should review and evaluate their recruitment plans at specific intervals to promote continuous improvement.

- *Provide combination packages for entry-level employees.* Agencies can provide a mix of formal classroom training and developmental rotational assignments:
  - *Training*. Agencies can develop a detailed training plan for new employees and make it available before employees' start dates. The plan should include four to six training courses (including innovative means for training employees, such as Internet courses) over a 2-year period. Where possible, agencies should set aside a certain portion of their payroll/appropriation for continuous professional development.
  - *Developmental assignments*. Agencies can develop a detailed plan for developmental rotational assignments.
  - *Internships.* Many organizations use internships as a mechanism for converting desirable temporary employees into career personnel. Internships allow the employer and the employee the opportunity to observe each other and determine if their needs are compatible. If so, the intern may be hired noncompetitively after he/she has met work-hour and degree requirements.

- *Provide ongoing training and developmental opportunities.*
  - Develop a detailed training plan specific to project management over the lifetime of the project. The plan should be available prior to the start of the project. Agencies can utilize innovative means for training employees (e.g., Internet courses).
  - Designate a portion of payroll/appropriated funds for continuous professional development. Agencies can develop a 1- or 2-year individual development plan for the employee.
  - Use project managers to mentor and prepare team members for increased responsibilities at the next level.
  - For all levels, agencies can develop a detailed plan for developmental rotational assignments. Agencies can work together to offer employees the flexibility to move to another organization once the current project has been completed.

All Positions

Strategies that apply to all positions are as follows:

- *Establish branding/marketing.* Agencies can establish a brand name for themselves, affirming the importance of their mission and the unique work and training experiences it provides to employees.
- *Broaden the search.* Use alternative advertising (Internet, radio, cable TV, unpaid media, job referral services).
- *Provide incentives and performance evaluation.* Incentives need to be offered in the context of performance as well as continuous

education and training. Agencies should clearly define expectations and rewards, then consistently communicate and apply them.

- *Provide employee referral bonuses.* This allows current employees to receive bonuses when a referred employee is hired.
- *Simplify the administrative processes.* Many applicants seeking jobs with the federal government are discouraged by the length of time between the interview and the formal job offer. In addition, the administrative process of completing forms can be burdensome. Many agencies have had noted success in reengineering the recruitment process to reduce the time to make offers with one or more of the following:
  - Direct hire authority (from OPM), which enables recruiters to make firm job offers after interviewing a candidate
  - Online application processing, available via the Internet
  - Use of OPM or other entity as the Delegated Examining Unit to negotiate a speedy turnaround on application processing
  - Other incentives, such as offering to repay a potential employee's student loans if the individual agrees to work for that agency for a determined period of time. For additional information about incentives available in the federal government, see http://www.opm.gov.

The environment for implementing financial systems tends to be high pressure, high intensity, and defined by a limited timeframe (the life of the project). At the end of a project, many project team members are often assigned to slower-paced systems maintenance jobs. This type of work might be welcomed by many, but it is not always fulfilling for persons who thrive in an active project environment.

In order to attract team members, who are looking for an active project environment to the federal work force, agencies need to plan for "downtime" between projects. For example, because many potential employees consider continuous training and education to be an integral part of a total career package, agencies can use downtime as an opportunity to maintain and/or enhance the individual's skills. Or, if another project within the employing agency is not planned, they can add the person's name to a separate talent pool to be shared among the corporate work force. Since experienced project managers are in such short supply, having an accessible pool of identified individuals is an advantage to the federal government.

Retention Strategies

Governmentwide Strategies

The federal government can leverage resources, influence, and opportunities across all agencies. For example, it can nurture a cadre of well-qualified project managers, encouraging them to move from agency to agency to manage new projects, rather than staying within a single agency. This strategy would expand experience and knowledge of project managers as well as provide promotional opportunities beyond what any single agency can offer.

The CFO Council, through the partnership of its Human Resources Committee, OPM, and the Human Resource Management Council, can explore ways to improve retention of project managers. Possible alternatives range from something as straightforward as providing clear criteria and a standard statement for group retention allowances[6] to things as complex as developing a demonstration project.

Another tool is special salary rates. However, agencies must provide sufficient evidence to justify special salary rates. An OPM memorandum concerning the special salary rate requested by the CFO Council states the following:

> Under 5 U.S.C. 5305, OPM may establish special salary rates to address situations in which the Government's recruitment or retention efforts are, or are likely to become, significantly handicapped. In establishing special rates, OPM considers staffing data (e.g., vacancy rates, offer acceptance rates, quit rates, general labor market conditions), salary data for similar non-federal employees, other actions taken to address staffing problems, the impact of staffing problems on an agency's mission, and any other relevant factors.[7]

Agency- and Project-Specific Strategies

OPM has created a number of ways to help agencies manage the retention of key employees. However, many agencies have policies or contractual agreements that are more restrictive than those that apply governmentwide. Agencies must work with their human resources offices to understand the standard policies and benefits that are available and to develop a comprehensive strategy to ensure that they retain valued employees. In addition, agencies and project managers can directly influence five critical factors relating to retention:

- *Assignments and work environment.* Agencies can give employees challenging assignments and provide the resources and support for the employees to succeed.
- *Development.* Agencies can encourage employees to build and maintain their professional competence and currency through formal courses, work assignments, and other means.
- *Agency support of governmentwide opportunities.* In addition to providing opportunities within its own organization, an agency should support opportunities available in other agencies of the federal government.
- *Financial incentives.* Agencies can reward accomplishments and consider using incentives such as retention allowances.
- *Benefits.* Agencies can help employees appreciate the value of the benefits available and be flexible in supporting employees' use of alternative work schedules and other work/life programs.

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[6] Group retention allowances are an option for agencies, with OPM having to approve requests for allowances that exceed 10 percent of an employee's salary.

[7] Office of Personnel Management, Memorandum to personnel directors concerning special salary rate request by the CFO Council, May 2000. Available from http://www.opm.gov/oca/

The following subsections discuss each of these factors in more detail.

Assignments and Work Environment

Work assignments and the work environment are the two most important factors influencing turnover.[8] To retain valued employees, agencies must give them challenging work and provide an environment in which they can succeed.

Agencies and project managers can take a number of approaches to ensuring that employees are challenged and have a good work environment. The following are a few examples:

- Develop a formal follow-up program for all new and key employees. The program should be ongoing and should include the use of mentors and other feedback systems.
- Monitor work assignments to ensure that they match a talented employee's interests and abilities.
- Implement flexible work schedules, supportive family-friendly and work/life policies, and other employee-oriented programs and practices.
- Empower employees to make their own work-related decisions whenever possible.

In the end, good management is key. Agencies and project managers must focus on developing good relationships between employees and their immediate supervisors. Employees have diverse interests and needs. Managers who understand this will be able to recognize and address these interests and needs and make the employees feel more valued.

Development

Employees are not likely to remain loyal to an organization that is perceived to be indifferent about the welfare of its work force. Therefore, while a specific agency might risk losing valued employees if it does not provide opportunities to continually develop individuals' skills, development through a *governmentwide* program could promote greater diversity and provide challenging ways to put these skills to work. This would assist in keeping a highly motivated and well-trained federal work force in place.

Agency managers can work with their employees to design a development program that matches the competencies needed for the job to the employees' interests. To the extent that funds are available, an agency can support formal training, such as courses and seminars, as well as programs that help employees maintain professional certifications (for example, continuing professional education credits or professional development units). The agency also can give employees exposure to their peers in other organizations by sending them to conferences, encouraging them to make presentations on their work, and publicizing the interesting work being done. Although an agency may lose some employees because of networking, they also can attract new employees.

A mentor program can be an effective development tool. In a mentor program, a more experienced employee dedicates time to coach, counsel, and guide a less experienced employee. Counseling and feedback from a mentor are less threatening and, typically, more frequent and constructive than they are from a manager. Giving the employee exposure to higher level managers in the organization can be positive as well; such exposure gives the employee a chance to shine without having intervening filters.

Agencies can encourage employees to participate in programs that offer structured development and experience outside the home organization. Such assignments can allow employees to change the direction or focus of their work, extend their experience and knowledge base, begin a new area of creative activity, or learn new techniques.

A number of programs exist, but two are notable:

- CFO Fellows program. Information on the program is available from http://www.financenet.gov/financenet/fed/cfo/fellows/fellows.htm.
- Leadership Development Academy (offered through the U.S. Department of Agriculture

[8] Jennifer Laabs, "HR101: Benefits," *Workforce Magazine*, July 2000.

Graduate School), which offers 6-month to 1-year career development programs. Information on the programs is available from http://www.grad.usda.gov/programs_services/long_term.cfm.

Opportunities Throughout the Government Work Force

Employees look at advancement opportunities within the organization. If they see few higher level jobs in the organization, see little chance of such jobs coming open, or see that such jobs are being filled by external candidates, they are likely to look elsewhere for opportunities. Agencies can implement a number of strategies—career ladders, competitive promotions, growth of responsibility, and alternative experiences (job rotations), to name a few—that will increase the likelihood that employees will stay.

Agencies should give their employees information about available opportunities and clear guidance on the advancement process. That guidance should include information about the competencies that an employee must have to be considered a competitive candidate. Agencies also should give the employees a chance to develop and demonstrate competencies.

Governmentwide rotations should be developed. Job rotation provides employees an opportunity to develop or refine skills. It also provides employees with a broader perspective of the overall mission of the agency through a better understanding of programs, functions, and activities. Job rotations provide management an opportunity to assess an employee in a new role, to determine his/her skills and abilities to develop in that role, and to provide for better use of resources as well as enhancing program development. Job rotations may be inter- or intra-branch or divisional. Whenever possible, job rotations should be open to all eligible employees; sometimes, however, specific program/division experience will be a prerequisite or the assignment may be a part of an individual's development plan.

Financial Incentives

Although money is not the primary consideration in every employee's retention decision, financial incentives can be very effective in the right circumstances. In general, managers have two types of financial incentives available: performance-based awards (e.g., special achievement awards and temporary grade increases) and allowances (e.g., repayment of student loans) to induce employees to remain onboard.[9]

Ideally, an employee should be compensated at a level commensurate with the project responsibilities. A temporary grade increase, if applicable, needs to be contingent on defined responsibilities and meeting project milestones. Additional performance-based awards should be related to clear and well understood achievements, such as providing excellent customer service and completing projects ahead of schedule and under budget.

Non-performance-driven incentives are useful because they allow for a contract between the agency and the employee. (For example, the agency agrees to repay a student loan, and the employee agrees to remain onboard for at least 3 years.) Non-performance-driven incentives need to be matched to the agency's budget, the agency's objectives, and the desires and needs of the employee.

Benefits

Employees need to understand the full range and value of available benefits so that they can factor them into an economic calculation of any non-federal employment opportunities. Federal employee benefits include both conventional programs—health insurance, term life insurance, retirement, and Thrift Savings Plan, to name a few—and newer programs such as transit subsidies and pretax health premiums. The federal government's annual leave is particularly generous; new full-time employees earn 4 hours every 2 weeks. Advanced annual leave, sick leave, and other leave provisions are also important.

In addition to the standard governmentwide benefits, agencies can offer a number of work/life benefits, such as alternative work schedules and telecommuting.[10]

[9] For a detailed description of various financial incentives available in the federal government, see http://www.opm.gov/oca/pay/html/q&arrr.htm.

[10] For more information on work/life benefits, see http://www.opm.gov/wrkfam/index.html-ssi and http://www.opm.gov/oca/leave/index.htm.

Training Strategies

As discussed earlier, the nature of project management is intensely focused work with a limited duration. Overtime during a project's implementation is the norm, as highly dedicated team members seek to meet short-term deadlines to keep the project on its long-term track. The hectic pace required by this environment is exhilarating for those who choose it for life's work, but at some point people have to stop and decompress. This study recognizes that the period of time between projects is a natural break in this regard, and suggests that it be used for a period of "retooling" at a slower pace. Through this approach, the project team is able to take this interval—which might otherwise be used to search for another project— either to share his experiences with others as a mentor or to enroll in class work to enhance his/her state of the art. If administered on a governmentwide basis, such a program would help to ensure that some portion of a highly qualified pool of project managers and team members would always be on standby for future projects.

Training is characterized as a human capital investment. It is either an integral part of a specific project budget or an item that reflects the long-term nature of human development. Agencies should set aside a certain portion of the organization's budget and the financial systems implementation project's budget for training. Training is discussed below on two separate levels: the agency level where training is provided for project steering committees, and the individual level where it is given or received within a project management pool.

Executive Level—Project Sponsor and Steering Committee

Top-level support within an agency is imperative for the successful implementation of a financial system. Training at the top level of an agency to gain this support serves several purposes. First, it informs senior executives of the scope and urgency of the global problem; second, it provides a forum to share common concerns; and third, it provides an opportunity for recognized scholars in the field of project management to appear before senior executives and inform them of their key role in the success of their respective projects.

Project Manager Level

Systematic learning opportunities and career growth path options for project management personnel across the federal government are a means of maintaining professional skills at a high level, while addressing one of the greatest concerns of members of a team nearing the end of a project—finding the next job. This time between projects provides an opportunity for employees to decompress from the intense nature of the work and to sharpen project management skills through education and training.

Federal Government Mentoring

During transition periods, project management personnel at senior skill levels within the federal work force can serve as mentors/instructors for mid- or entry-level personnel. Also, senior-level people can collectively provide advice and support, as needed, to agencies implementing new financial systems. This provides a thoughtful means to retain and enhance the project management knowledge base in a changing environment and ensures that it is being applied consistently across the federal work force.

Formal Education and Training

External education and training complements internal training and mentoring by encouraging the development of recognized certification paths and maintenance of current certification levels through formal education. Courses may be sought as a means to improve specific skills needed on the job. Organizations should examine "hot skills" to develop a strategy and identify technical skills that should be contracted out and those that should be provided by staff.

Courses in the general field of project management are available from many training providers. The Project Management Institute[11] and the National

[11] Project Management Institute, http://www.pmi.org.

Defense University[12] offer excellent project management courses.

A project management course with a financial systems orientation can be designed to meet the specific needs of an implementation team.

- Members from a project team can attend project management technology courses either sequentially or together. A curriculum containing a high concentration of project management technology courses that only lasts 3 or 4 days allows team members to attend with minimal disruption to the workflow.

The STAR Program is a major initiative of the federal Chief Information Officers Council and the General Services Administration. The STAR Program is designed to give government executives the skills necessary to face the challenges of today's management environment where agency finance, business, and information technology people need to be comfortable operating together—strategically and tactically. STAR emphasizes Clinger-Cohen[13] results-based management as well as information technology as a strategic resource. STAR partners with some of the most highly acclaimed institutions in the country to develop and deliver its curriculum. The STAR Program consists of two 1-week residential seminar sessions (separated by 2 to 4 weeks) focused on program and project management, leadership, security, technology, and government. It involves pre-work and a practicum, which spans the STAR experience with results demonstrated to the participant's sponsoring executive. The STAR Program is opened to candidates from all agency disciplines: finance, information technology, procurement, and agency program functions. Each candidate must be sponsored by an agency executive and hold a Senior Executive Service, GS/M 15, GS/M 14, or field GS/M 13 position, or be of comparable military rank.[14]

Courses on project management are also listed on the Federal Learning Exchange, developed by the U.S. Department of Labor. This can be accessed at http://www.flx.gov.

OJT Program

Individuals should receive on-the-job training (OJT) that allows them to participate as a member of a financial system implementation team. This participation will provide invaluable knowledge and training that are essential for project management. For instance, individuals may learn how to interact with others on a project team and observe how senior project manager and team leaders operate to meet project goals and produce deliverables within tight timeframes.

Participation on inter-disciplinary project teams will also be helpful to gain knowledge of the agency's mission. Agencies should also have OJT program that rotates individuals through the various business functions of the agency to gain the day-to-day operational view of the agency's mission.

Other Strategies

Other strategies are as follows:

- *Share the experience of financial systems implementation.* Post an account of your implementation on the JFMIP web page on Roadmap to Successful Agency Implementation of Financial Systems (www.jfmip.gov) and articles in financial periodicals.
- *Share best practices and lessons learned.* Communicate success stories at interagency meetings, such as CFO Council Committee, Federal Financial Managers Council, and workshops sponsored by JFMIP, Treasury Financial Management Service, and professional organizations, such as the Association of Government Accountants, American Society of Military Comptrollers, and others.

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[12] National Defense University, http://www.ndu.edu/irmc/.

[13] Clinger-Cohen refers to the Information Technology Management Reform Act of 1996.

[14] STAR at star.program@gsa.gov or call the IT Professional Development Division of the General Services Administration at (202) 501-0819.

- *Establish a project management advisory committee.* A committee of project managers with experience in financial systems implementations can be established to provide advice and support, as needed, to agencies implementing new financial systems. The Information Technology Review Board, which examines projects in trouble, can serve as a model. The project management advisory committee can act as a preventive measure.

Next Steps

Having qualified project managers and personnel is needed to implement better financial management COTS systems. The federal government must act now to dedicate resources for holding a workforce capable of implementing Financial Management.

- Identify current administration's officials to discuss project management human resources issue that will meet the e-government and other management reform goals.
- The CFO Council and OMB should make this a priority by dedicating budgetary resources to recruit, retain, and train personnel in this area.
- Success stories should be communicated throughout the financial community through the Internet, newsletters, and publications in professional associations.
- Partner with organizations to implement the recommendations.

Some of the recommendations made in this report can be done in conjunction with other CFO Council efforts that are already underway, such as the recruitment of entry-level personnel for financial system implementation projects. An agency may want to partner with a private-sector contractor to develop a 3 or 4-day training course on financial system project management.

Work with NAPA and the CIO Council on the establishment of the two-track system for project managers and project management staff. Also partner with OPM to communicate what tools are available.

- Federal agencies need to ensure that their personnel have on-the-job training or experience to successfully implement a financial system.
- Establish a mentoring or training development program. This may be a project for the CFO Fellows or an interagency group of individuals from the CFO Council's Financial Systems Committee and Human Resources Committee.

Significant level of turnover of key project personnel (numbers of individuals or frequency) is detrimental to the successful completion of a project. The following suggestions may alleviate this problem:

- Offer competitive benefits packages.
- Reward employees for their contributions, not their longevity.
- Have a system for identifying talented employees and recognizing their contributions.
- Embed ongoing training, education, and mentoring programs in the organizational culture.[15]

[15] Society for Human Resource Management, *HR Magazine*, December 1998. Available from http://www.shrm.org/hrmagazine/articles/1298grossmanb.htm.

Appendix A. Websites

Information about the wide variety of federal government recruitment and retention tools is available from the following sites:

- http://www.opm.gov/studies/main.htm#3rs ("The Three Rs: Lessons Learned from Recruitment, Retention, and Relocation Incentives")
- http://www.opm.gov/demos/HR_flex.txt ("Human Resource Flexibilities and Authorities in the Federal Government")
- http://www.opm.gov/demos (Center for Human Resources Innovation for human resources demonstration projects and other human resources management innovations)
- http://www.opm.gov/iag/public/("Recruiting and Retaining Financial Management Employees: Useful Tools")
- http://www.workforce.com (articles on recruiting and retention; emphasis is on private industry, but much of the information is directly relevant and useful in the federal setting)
- http://careers.computerworld.com/res/careers/rete_index.html (articles focusing on the retention of IT employees).

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