

Strategic Human Capital Management in Municipal Government: An Assessment of Implementation Practices

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Abstract

Growing empirical evidence supports the fact that human resource management (HRM) practices have a direct impact on organizational performance. However, recognition that the HRM function can impact the strategic direction and performance of *public* organizations has been a more recent shift. Local government represents a robust area to examine the capacity of government organizations to leverage their human resources (HR) to improve performance. Using data from a 2012 survey in Colorado and North Carolina, this article examines the degree to which municipal governments have implemented strategic human capital management (SHCM) practices. Results indicate that while progress had been made, there is still significant variation on the extent to which municipalities are implementing SHCM. For jurisdictions that have seen greater adoption of SHCM practices, a number of factors appear related, including the role HR plays in broader municipal strategic decision making and the perceived importance of the HR function for the municipality.

Keywords

HRM, HR reform, strategic human capital management

Introduction

In the wake of the financial challenges faced by government during the 2000s, the need for effective and efficient management of public organizations' human capital has become

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increasingly important. Municipal governments in particular are facing reduced resources, increased workplace costs, and growing demands for services (Ammons, Smith, & Stenberg, 2012; Jimenez, 2009; Martin, Levey, & Cawley, 2012). Balancing these challenges, alongside the recognition that hiring additional staff may not be a possibility, requires that municipalities think critically about how they are using their workforce. Human resources (HR) play a critical role in the success of organizations; indeed, human capital can be the most critical component for maintaining a competitive advantage (Pfeffer, 1998). Scholars studying human resource management (HRM) in the private sector have demonstrated that these practices directly impact organizational performance (Lawler & Boudreau, 2009; Ulrich, Brockbank, Johnson, Sandholtz, & Younger, 2008). However, only recently have leaders and managers in the public sector recognized the role that HRM can play in shaping the strategic direction and performance of public organizations (Daley, 2002; Jacobson, Sowa, & Lambright, 2014; Selden, 2009).

HR represents a significant, if not the most significant, expenditure for public organizations (for service organizations, it is often as high as 70% or 80% of the total operating budget) (Pynes, 2009). Given the size of this set of expenditures, the potential roles for HR professionals to play are numerous and critical to the continued operations and performance of local governments. Local government represents a robust area in which to examine the capacity of government organizations to leverage their HR to improve performance. Municipal governments vary in terms of their level of resources devoted to HRM and their overall staffing structure (i.e., the degree to which they have professional HRM managers), raising questions on how well these organizations have implemented the necessary practices to leverage the strategic impact of HR and use their human capital toward developing a competitive advantage.

This article responds to these questions, examining the degree to which municipal governments have implemented HRM practices associated with the broader strategic approach to HRM known as strategic human capital management (SHCM). Using data from a 2012 survey of municipalities in Colorado and North Carolina, this article explores the following questions: (a) To what degree are municipal governments implementing SHCM practices? (b) Which SHCM practices are the most common? and (c) What factors influence implementation?

This article has four sections. The first section “Developing a Strategic Approach to HRM” provides a review of the research on SHCM, focusing on how this approach to HRM is a departure for many governments, the core principles and practices associated with this approach, and the current research on the HRM practices of municipal governments. The second section “Data and Method” presents the data used to examine the research questions, detailing the survey design and data analysis methods. The third section “Findings and Discussion” presents the findings, showing that HR departments are engaging a number of new practices and more are taking on roles that involve offering strategic advice on HR and broader management issues. However, the level of engagement in SHCM is not comprehensive or consistent. A number of factors related to HR departments engaging in SHCM practices are explored, including the perceived role of HR as a strategic actor, performance levels on core HR tasks, the collection and use of metrics, and HR staff capacity. The last section “Conclusion” concludes with limitations and recommendations for future research.

Developing a Strategic Approach to HRM

To understand the movement toward a more strategic approach to HRM in local government, it is important to briefly explore the point of departure, traditional or classic HRM systems. In an effort to promote employment practices that insulated employees from partisan political pressures, the development of many HRM systems in government emphasized routine and structure as critical design factors (Ingraham, 1995; Mosher, 1968; Van Riper, 1958). In the traditional civil service, the focus is on matching people with the right jobs and having those individuals accomplish the specified job duties (Ingraham, 1995). The focus was on creating a set of knowledge, skills, abilities, and behaviors (KSABs) needed for particular positions rather than exploring individuals' particular competencies and capitalizing on them. It was more about fitting people to the position versus harnessing the particular qualities of the individual. Having standard procedures in place for managing people promotes equity in how people are treated in the workforce, a value of great importance in government (Ingraham, 1995). In addition, the focus on regulation of the personnel function helped governments in promoting political neutrality and insulating public employees from partisan political pressure (Ingraham, 1995).

Although there are associated benefits from the traditional approach to managing people in government, the emphasis on administration of HR policies and regulation of the personnel function prevents this system from fully viewing and utilizing public employees as valuable assets. There is a growing movement toward viewing HR as assets in which government should invest, a movement generally referred to as SHCM. Adopting the view of personnel as human capital is the first step in moving toward a strategic approach to HRM (Jacobson et al., 2014).

Strategic Human Capital Management

SHCM recognizes that HRM should expand from the compliance and regulation role of personnel administration to become a strategic partner with management, as HRM can help organizations align their workforce to achieve their strategic and organizational goals (Daley, 2006; Pynes, 2009; Selden, 2009). Central to this approach is the recognition that people are central to the accomplishment of these strategic and organizational goals. In particular, SHCM sees the human capital of a government as its competitive advantage, and as such, the focus of HRM should be investment and development instead of solely regulation (Daley, 2006; Pfeffer, 1998; Pynes, 2009; Selden, 2009).

HR scholars have argued that government HR departments are undertaking a transformation of roles: moving away from a primary focus on administrative functions (such as record keeping, payroll, benefits, and compliance) to take on more operational and ultimately strategic tasks and playing a larger role in deploying human capital across the government (Daley, 2006; Nigro, Nigro, & Kellough, 2007; Selden & Jacobson, 2003). HR departments have expanded their functions in response to both internal requests for program development and service needs as well as to customer demands. In this transition, HR departments began to assume a greater operational role, in which departments began to offer an array of personnel services and have a greater focus on short-term

tactical goals. This transition has led more sophisticated HR departments to transition to a leadership role in SHCM. As Selden and Jacobson (2007, p. 83) note,

[T]he role of HRM departments is changing from a narrow focus policing the merit system and rules toward a broader focus that emphasizes collaboration and partnership with leaders and managers to achieve organizational goals.

Therefore, in today's government operations, the HR department has a critical role to play in achieving public goals; the question is how to build the capacity of these departments to successfully step into this role.

Key Practices in SHCM

To understand the transition to SHCM in municipal governments, it is helpful to consider the functions associated with this new role and what is required of HRM managers to make the transition from compliance-oriented HRM to strategic HRM. The functional requirements associated with SHCM are going to vary across government jurisdictions, based on the needs and existing capacity of the government. Although varied, generally, it is expected that agencies will develop an overall strategic plan in addition to a human capital plan that integrates the workforce requirements with goals established within the strategic plan (Selden, 2009). With these plans, emphasis is placed on alignment, how personnel policies and practices align with an organization's strategic objectives; this is the core requirement of SHCM (Allen & Wright, 2007; Tompkins, 2002). Therefore, fundamentally SHCM involves integrating HRM with the overall strategic direction of an organization to align the HR needs of the organization with strategic goals to ensure that sufficient human capital is in place to deliver a high level of performance. Summarizing the research on SHCM, Jacobson et al. (2014) put forward the following process for SHCM implementation:

The general operational steps of this approach include: 1) identifying the strategic direction of the government unit, 2) analyzing the workforce requirements to achieve this strategic direction, and 3) developing action plans associated with the HR function that will help achieve the overall strategic goals of the department. (p. 291)

SHCM requires changing how the department thinks about the functional requirements of the HR department, the challenge being that they will need to find ways to balance traditional, and continuing, administrative needs with new strategic responsibilities. There is not complete consensus on the specific set of practices or policies related to SHCM, in part because to be strategic, it is necessary that practices align with the strategic direction and needs of the particular organization. Guo, Brown, Ashcraft, Yoshioka, and Dong (2011) identified 13 critical practices, these practices group into broader areas such as the role of the mission and values of the organization to attract employees, communication practices, recruitment and retention practices, performance evaluation, creative job design, and attention to workplace diversity. In general, SHCM practices focus on the current effective use of the workforce and strategic and analytical

based decision making for future success (Selden, 2009). Therefore, SHCM requires not only the associated practices discussed but also attention to data or metric collection around these practices to make evidence-based decisions for future improvement.

A SHCM system includes the alignment of agency mission and strategic goals with a core set of analytically grounded practices related to the areas of strategic human capital planning, recruiting and selecting employees, retaining employees, developing employees and leaders, and managing employee performance (Selden, 2009). SHCM often involves a changed orientation for the HR department to practices that focus not on maintenance but on planning, organizational design and development, employee development, and organizational goals (Lawler & Mohrman, 2003). The more that departments can develop their SHCM in a way that aligns with their larger organizational culture, the better they will be able to harness the particular competitive advantage of their human capital stock.

SHCM and Local Government

The focus of SHCM has been driven by private sector efforts to advance this concept, as well as movement within federal and state systems. A key question for scholars is how these changes in the functional role of HRM and the required competencies of HR managers in the strategic model of HRM have influenced the HR function at the local government level. The shifts along the continuum in city and county governments were found to have been slower than was observed in states based on a study that examined state, county, and municipal government HR systems (Selden & Jacobson, 2003). Local government management practices, especially in the area of HRM, have often lagged behind the federal and state governments and have served to mirror practices in these other settings (French & Goodman, 2012; Selden & Jacobson, 2003).

Jacobson et al. (2014) examine the extent to which SHCM practices have been adopted by county government. They present typology of five levels of SHCM adoption extending from a traditional personnel approach through a strategic partner approach. They find that the level of SHCM implementation in a county depends on how the executive leadership at the county views the role of HR, whether the county engages strategic planning and management, and the behavior of the HR director in terms of whether he or she views their role strategically and pushes for more strategic HR in the government.

Updating research by Hays and Kearney (2001) examining the potential change on the horizon for HR departments, French and Goodman (2012) assessed the current and future state of HRM at the local level. They found that HR professionals identified traditional HR management practices as essential for HR practitioners at the local level and that the primary principles of reinvented HRM have been adopted at a slower pace than anticipated. Practitioners and scholars alike acknowledge that this is related to the expansion of the role of HR, not the abandonment of previous responsibilities. HR departments still have to maintain certain practices, along with the adoption of the more strategic HRM practices, thereby possibly slowing the implementation of SHCM as these departments build their capacity (French & Goodman, 2012; Jacobson et al., 2014).

Battaglio and Condrey (2006) examine two local government case examples (one county and one municipality) to both highlight traditional models as well as innovative practices, underscoring the tensions and opportunities present for local governments considering the appropriate design for their HR function. Although case design research provides helpful insight, they serve as limited examples of how practices are, or are not, being embraced at the local level and what factors contribute to adoption. SHCM is advocated for across the research base, but there is limited empirical evidence, especially at the local level, related to the extent or manner of implementation.

This article builds on previous research of how HR functions at the municipal government level and seeks to contribute with empirical evidence, through presenting a set of descriptive and exploratory findings. These findings describe the level of implementation of SHCM and explore the relationship between implementation and various demographic and operational factors.

Data and Method

To understand municipal governments and the implementation of SHCM practices, this research employs a survey methodology. Municipalities in two states were examined, North Carolina and Colorado. These states were selected because both are states in which there are urbanized centers as well as a significant representation of small rural municipalities. Both are without active labor unions in municipal government and both are states in which a majority of medium and large local governments have a strong council-manager form of government (Colorado Municipal League, 2014; Upshaw, 2014). Both states are moderately conservative states overall (Swift, 2013). While the similarities between the two states facilitates comparing municipal governments, we recognize that states with different context, such as high levels of unionization and more progressive political environments, could have municipal governments that operate differently. More discussion on the limitations associated with the sample is addressed later in the article.

Sample

The intended sample was HR directors and clerks in the 271 municipalities in Colorado and 522 municipalities in North Carolina. Municipal contact information and assistance with the survey administration was provided by the Colorado Municipal League and the North Carolina League of Municipalities, and the survey was administered in Winter 2011 to Spring 2012. As stated, the intended sample was all municipalities in the states; however, there was a small sub-set of very small municipalities for which the Colorado Municipal League did not have contact information. These were excluded from the sample. The response rate for Colorado was 29% ($n = 79$) and for North Carolina was 33% ($n = 174$).

Data and measures. Survey questions were designed to examine the current state of HR practices and role of the HR function. Questions were drawn from the public,

non-profit, and private HRM literature and modified for the local government context (Guo et al., 2011; Lawler & Boudreau, 2009; Selden, 2009). Questions were asked about *HR activities*, specifically the balance of activities performed associated with administration and strategic work. *Organizational design and HR practices* were examined with attention to the level of increase or decrease in HR activities including HR planning, compensation, recruitment, selection, and organizational design and development. In addition, HR directors were asked background information about their jurisdiction, department, department staff, as well as their personal background. Finally, they were asked to characterize the HR function within the municipality and their perspective on the relative importance of a core set of HR practices.

The survey is subject to the standard limitations inherent in survey methodology, including that data are self-reported and issues of social desirability may pose a concern, as people want to be seen as being needed and critical to strategic organizational operations. Table 1 reports the respondents of the survey.

Table 2 presents the descriptive characteristics of the municipalities examined in this research.

Table 1. Title of Respondent (%).

	North Carolina (n = 169)	Colorado (n = 79)
HR or personnel director	23.7	35.0
HR or personnel analyst	7.7	1.3
Municipal or town clerk	29.6	19
Manager	17.8	24
Town administrator	4.7	26.3
Finance director	10.7	2.5
Other	5.9	6.3

HR = human resources.

Table 2. Characteristics of the Sample.

	n	Minimum	Maximum	M	SD
Budget	230	22,000.0	463,300,000	18,290,472	56,310,947
Reported population	244	33.0	4,043,050	32,517.1	264,754
Years in current role	249	0.0	31.0	7.1	6.5
Years in HRM	243	0.0	36.0	13.3	9.9
FTE	249	0.0	6,600	144.2	511.8
HR FTE	243	0.0	32.7	2.7	4.0
HR department	246	Yes—25.7%	No—73.6%	NA	NA

Note. HRM = human resource management; FTE = full-time equivalent.

A series of descriptive statistics and correlations were analyzed to determine the level of SHCM implementation and explore the relationship between different demographic and operational factors on this implementation. In addition, an OLS regression was run to further explore the relationship between these factors and the level of SHCM adoption. Survey data allowed for both direct variable use as well as the creation of a series of indices to evaluate the level and associated factors that impact adoption. Indices were created as it allowed for a more comprehensive and holistic view of what is happening in organizations compared to simply seeing what particular practices are being used. These indices included an index of SHCM implementation (SHCMIMPL Cronbach's $\alpha = 0.97$), designed to capture progress made toward adopting a strategic approach and strategic practices. An index assessed the level of perceived importance the municipalities placed on a series of SHCM-associated HRM practices (HRIMPORT Cronbach's $\alpha = 0.95$). Finally, as the use of data to make evidence-based decisions is a central component of SHCM, two indices associated with HR metrics were constructed, the first captures the amount of HR associated metrics collected by the municipality (METCOLL Cronbach's $\alpha = 0.85$), and the second examined the perceived usefulness of the collected metrics (METUSE Cronbach's $\alpha = 0.93$). Additional measures were included to assess the relationship between the implementation of SHCM and other factors, including the experience and background of the HR director (or person in charge of HR), the level of skill of the HR staff, the performance on core HR services, the perceived role of the HR department as a strategic partner, a measurement of full-time equivalent (FTE) employees in the municipality as a whole, and the number of FTE in HR specifically. More information on these indices and measurement of these additional variables is included in the appendix.¹

North Carolina and Colorado municipalities provide an opportunity to examine both the current state of practice as well as factors related to greater SHCM use in local government. While focusing on a two-state review limits generalizability across all 50 states, this exploratory study allows for important empirical evidence to be added to the discussion of SHCM in local governments.

Findings and Discussion

The implementation of SHCM can be viewed as a process, with the gradual increase in strategic practices over time. To gain the most benefits of a strategic approach to managing people, the HR function needs to be viewed as an essential part of effective municipal management and should be included in the leadership team and general management processes of a municipality. The recognition that HR could and should serve a strategic role is a critical first step in the adoption of SHCM. Over half of the respondents indicated the medium to high levels of recognition of the importance of the HR department acting as a strategic partner. While nearly a third indicate that it is very important for HR to be a strategic partner, there is still 12.2% that do not believe it is important for HR to serve in a strategic partnership role (see Table 3). More information is needed to understand the reasoning for those who see no strategic role for

Table 3. HR as Strategic Partner (%).

	Not at all important	Low importance	Somewhat important	Medium high important	Very important
Importance HR is at being a strategic partner (n = 213)	12.2	13.1	22.5	20.7	31.5
	No role in strategic plan	No formal plan but HR provides strategic advice	HR provides input into HR issues	HR provides input into broader strategies	HR serves as a full management partner
HR role (ROLE) (n = 222)	20.7	30.2	17.6	22.5	9.0

HRM; however, the results show that the recognition of the importance of HR being a strategic partner is gaining traction.

Acceptance and recognition of the importance of HR performing in this new capacity is important but does not guarantee that these municipalities will actually move from recognition to implementation, raising the question whether HR actually serves in a strategic role and acts as a management partner. Findings demonstrate that select municipalities in these two states have worked to fully engage HR as a partner in strategic direction setting and management, but more progress is needed across the sample as a whole. When asked the role of the HR function related to the strategic direction of the municipality (variable labeled as ROLE), less than 10% of respondents indicated that the HR function served as a full partner. In addition, approximately 21% indicated that the HR function serves no strategic function. The remaining respondents fall along the continuum in terms of the strategic nature of their role. Therefore, although progress has been made, a good number of municipalities surveyed demonstrated little movement in turning recognition into strategic practice.

To more fully understand the level to which HR is serving as a strategic partner, associated with the second research question, the next step is to go deeper into the implementation and examine what actions and practices these municipalities have adopted. In examining the extent to which HR performs particular SHCM practices, it was found that a quarter of the sample performs none of them or only does so at a minimal level. For all 10 practices examined (see Table 4), 20% through 25% of the sample performs them at least to a moderate extent.

Elements related to strategy saw far smaller levels of involvement by the HR department compared to continuation or expansion of practices more tightly coupled with traditional HR tasks, such as recruitment and development. This indicates that there still is a gap in terms of the degree to which HRM is brought to the management table and integrated in larger municipal management planning. For example, for three practices that directly tie HRM with larger strategic management, identifying new strategic opportunities, designing criteria for success, and identifying strategic goals,

Table 4. HR Coverage of SHCM Practices (%).

	Little or no extent	Some extent	Moderate extent	Great extent	Very great extent	<i>n</i>
Identify strategic goals	28.4	32.9	22.7	11.6	4.4	225
Decide among strategy options	28.4	28	24.4	15	3.6	225
Design criteria for success	31.1	28.8	23.9	13.5	2.7	222
Plan for human capital	23.6	27.6	23.1	18.2	7.6	225
Assess organizational readiness to implement strategies	25.9	24.6	21.9	20.5	7.1	223
Design structure	27.2	26.8	22.3	20.1	3.6	224
Work with leaders on strategy	21.4	27.7	20.1	23.2	7.6	224
Recruit and develop talent	23	21.1	22.1	17.6	16.2	222
Assess workforce readiness to implement strategies	27.4	26	23.8	20.2	2.7	223
ID new strategic opportunities	28.9	29.3	25.3	12.9	3.6	225

Note. SHCM = strategic human capital management.

less than 20% of the sample reported high levels of involvement. This suggests that overall the municipal HR function still is not frequently embracing many practices core to SHCM, and there is more work to be done in connecting HR to the larger strategic goals of their municipality.

A critical component of SHCM is a focus on analytical decision making. SHCM focuses on ensuring that HR practices are driven by data and analytics versus departmental or municipal politics. To this end, understanding how the municipalities employ and value the use of HR metrics provides insight into SHCM adoption and implementation. Respondents collect a range of different metrics; the most common in both states was the tracking of the types of training that employees had received followed closely by training and development expenditures. However, only a quarter (or less) of municipalities track critical data such as workforce competencies, recruitment and selection metrics, and workforce demographics. These latter, and less often collected, metrics are key elements related to planning and workforce assessment work, practices considered to be cornerstones to strategic action. The results presented in Table 5 demonstrate that there is still great room for improvement in terms of this component of SHCM implementation. Municipalities cannot simply collect those metrics that are easy to capture or captured at the completion of HR tasks (e.g., performance appraisal data). To move toward to more complete implementation of SHCM, these municipalities need to gather more data on their human capital, how it is acquired, and the critical descriptors of workforce quality.

It is critical that data are not only collected but also used. Respondents were asked about the usefulness of the data that they collected. When examining the reported usefulness of metrics by respondents (examined only for those municipalities that collect the data), many see significant value and usefulness in a number of the measures.

Table 5. Data Collection and Perceived Usefulness (%).

	Collects data	<i>n</i>	Not at all useful	Somewhat useful	Useful	Very useful	<i>n</i>
Demographics	25.1	223	8.0	50.6	27.6	13.8	87
Workforce competencies	23.8	223	4.5	27.0	39.3	29.2	89
Employee satisfaction	32.9	222	4.8	22.1	41.3	31.7	104
Training and development expenditures	53.8	221	6.2	31.0	44.2	18.6	129
Types of training	59.8	219	3.7	23.0	48.1	25.2	135
Employee productivity	41.8	220	6.9	24.1	39.7	29.3	116
Recruitment and selection	25.1	223	8.9	36.7	32.2	22.2	90
Employee discipline	43.5	223	10.9	39.1	35.5	14.5	110
Attrition rate	30.5	220	9.8	37.3	33.3	19.6	102
Performance appraisal	45.9	222	7.4	20.5	37.7	34.4	122

The results indicate that there is some optimism that if data are collected, it will prove to be useful for the organization; however, these results show there is still only a small percentage collecting a range of metrics. Selden (2009) offers an extensive discussion of the importance of HR professionals embracing HR analytics. Through this process, professionals make evidence-based decisions using relevant and reliable measures. For this strategic practice to be possible, municipalities must invest in collecting needed data, and HR professionals must further determine when and how to integrate data into their decision-making processes. The results in this study demonstrate that metric collection is an area that needs more attention both in terms of the level of investment by municipalities and the degree to which empirical research focuses on this to understand the adoption and effective use of HR analytics in decision making. For example, respondents indicated perceived usefulness of the measures they collected, but research has demonstrated the challenges of actually using performance information in public organizations (Ammons & Rivenbark, 2008).

There is clear variation on the level and types of practices adopted by these municipalities, leading to the question of what factors may relate to the implementation of SHCM practices. To begin, correlations between the overall implementation of the SHCM practices (the SHCM Index-SHCMIMPL) and associated factors were examined (see Table 6). First, the perceived role of HR (ROLE) in accomplishing municipal goals is one possible factor that could influence implementation, the expectation being that the more HR is involved with strategy development and implementation, the more likely they may be to move to adopt SHCM practices. In examining the relationship between the perceived role (ROLE) and SHCMIMPL, the relationship is in the predicted direction and significant, with those municipalities who indicate a more strategic role scoring higher on the SHCM index (correlation of .742, significant at the .01 level). To make the change to undertake more strategic practices, the municipality needs to see HRM as an important management function in the government. It was

Table 6. Implementation of SHCM Practices Correlation Results.

	SHCM Index (SHCMIMPL)	<i>n</i>
Role of HR (ROLE)	.742**	208
HR performance importance index (HRIMPORT)	.675**	197
Metric collection index (METCOLL)	.420**	201
Metric usefulness index (METUSE)	.345*	46
Years in HRM (HRMYRS)	.205**	210
Education (ED)	.177**	214
HRM certification (CERT)	-.281**	157
HR staff skill (STFSKILL)	.434**	205
Performance of core HR services (CORE)	.500**	203
FTE employees in the municipality (MUNFTE)	.116	213
HR FTE (HRFTE)	.096	211

Note. SHCM = strategic human capital management; SHCMIMPL = SHCM implementation; FTE = full-time equivalent.

* $p < .10$. ** $p < .05$. *** $p < .01$.

found the perceived importance of the HR functions (HRIMPORT) was correlated with SHCMIMPL (.675 at the .01 significance level), indicating that municipalities that recognized the importance of HR may be more likely to adopt more SHCM practices. Therefore, these two factors demonstrate that municipalities that value HR functions and have begun to view HR in a strategic role may be more likely to implement SHCM practices.

Research maintains that HR analytical behavior is a critical part of SHCM; the correlation results reveal support for this perspective. The indices of metric collection (METCOLL) and metric usefulness (METUSE) were both positively correlated with the SHCM Index (SHCMIMPL), although the relationships were not as strong. Core to SHCM is being data driven and analytically grounded in planning, decision making, and leading. It may be that having these critical sets of performance measures helps the department add to strategic discussions and decision-making processes. In addition, data use in itself can be seen as a more advanced practice and is likely part of a similar more strategic set of leadership decisions aimed at expanding the strategic efforts for the jurisdiction.

Finally, demographic and operational factors that may influence the implementation of SHCM practices in these municipalities were examined. Previous research has found the importance of the leadership of the HR director, and their personal characteristics matter in SHCM adoption for counties (Jacobson et al., 2014). The experience (HRMYRS) and education of the HR director (ED) was positively correlated with the SHCM Index (SHCMIMPL), although the correlations were weak. Both undertaking a more strategic approach to HR management and transitioning an office in that direction requires the skills, vision, and leadership by the head of the HR function. The leadership in these roles plays a factor in the level of SHCM adoption in municipal governments.

Along with the leadership and experience of the director, the level of skill of the HR staff and the overall capacity of the HR department (or the set of actors charged with HR) are important to consider. Previous research has called attention to the need and challenge of developing a HR staff that has the necessary skills in place to transition to a more strategic role (Jacobson et al., 2014). It is a chicken-and-egg problem, in that for some organizations, municipal leadership will be hesitant to provide more responsibility to the HR staff if they question their skill levels while the HR staff is challenged to develop these skills without the support or knowledge that a transition is needed. Respondents were asked to indicate what percentage of the organization's professional staff possesses the necessary skill set for success in today's business environment. Having an internal workforce with the needed skills to respond is critical for a department to be able to transition to a more strategic HR role and take on new responsibilities. In addition to the skill of the HR staff, the capacity of the HR staff to perform core HR services is another way to assess whether the HR staff may be ready to make a transition to more strategic tasks. If the HR staff fails to perform core HR services at an acceptable level, the municipal leadership may be unlikely to encourage them to adopt more strategic practices. The percentage of the workforce with the necessary skills (STFSKILL) and performance on core HR services (CORE) are both positively correlated with the overall SHCM Index (SHCMIMPL). Although correlation does not mean causality, it makes sense intuitively that when a department is a high performer of traditional functions, there may be increased confidence and trust for the department to take on new and challenging practices. It is unlikely that a department that is not seen as capable for traditional functions would be given the additional responsibility to take on additional strategic tasks.

The assertion that larger organizations are more likely to adopt SHCM (Lawler, 2005) has seen recent contradictory findings (Jacobson et al., 2014). Results from this sample found that the size of the municipal workforce (MUNFTE) and HR staff size (HRFTE) were not significantly correlated with the SHCM index (SHCMIMPL). Municipal size could facilitate certain practices that create a setting ready for SHCM adoption, but smaller organizations may also find ways to increase strategic behavior in spite of this.

Extending the analysis from correlations, an OLS regression² was run to see what factors may help to predict the adoption of SHCM practices, with the dependent variable being the SHCM index (SHCMIMPL) (see Table 7). The results of the regression indicate that size still does not appear to have an impact on the adoption of SHCM practices. Although correlation results indicate a statistically significant relationship between metric collection, training and experience of the HR director, staff skill, and performance levels on core HR functions with SHCM adoption, the regression results for these variables are in the expected direction but are not statistically significant. Two variables present strong predictive power in relation to SHCM adoption: the role that the HR department plays (ROLE) in the strategic planning and management process and the level of importance attributed to performing a range of HR practices (HRIMPORT).

Therefore, the implementation of SHCM practices starts with valuing HR and the larger role that it can play. The importance of how HR is conceptualized as a partner and the work of the department being valued are critical to both the acceptance and

Table 7. SHCM Adoption.

	B	SE
HR importance index (HRIMPORT)	.246***	.077
Role of HR (ROLE)	.512 ***	.053
HR director years in HRM (HRMYRS)	-.016	.007
HR director education (ED)	.096	.055
HR certification (CERT)	-.109	.208
Staff skill (STSKILL)	.076	.035
Metric collection index (METCOLL)	.101	.023
Performance level on core functions (CORE)	.060	.067
FTE small	.103	.223
FTE small-medium	.103	.202
FTE medium	.069	.197
R ²	.634	
R ² (adj.)	.600	
F	18.870	
n	132	

Note. SHCM = strategic human capital management; FTE = full-time equivalent.

*p < .10. **p < .05. ***p < .01.

encouragement of HR undertaking strategic practices. In addition, the regression results are interesting in terms of what is not found to be significant. The size of the municipal workforce, despite conventional wisdom that larger organizations are more likely to adopt SHCM practices, is not statistically significant within the model nor was it in the correlation results. Therefore, becoming more strategic is not outside the reach of smaller governments; it just requires some shifts in thinking that encourage shifts in action. Second, the reported skill of the HR office is not a predictive variable; this aspect raises questions about who is responsible for current practices and how comfortable the department will be in undertaking additional roles and responsibilities.

The results presented here indicate that the current level of SHCM practices in local governments is varied, from actual implementation to acceptance of HR serving in a new role to little change from traditional personnel administration. While more research is needed to understand causal process by which municipalities recognize the importance of HRM in the management of the municipality and begin both adopting a strategic approach and strategic practices, a look at these patterns provides insight on the state of SHCM in municipal governments and highlights areas of potential concern for academics and practitioners alike. The following section discuss the limitations of this research, along with questions for the future and implications for practice.

Limitations and Future Research

As with most studies, this research has limitations. Although the sample offered respondents from geographically diverse parts of North Carolina and Colorado, with

varying size and use of practices, the overall response rates were low. Those municipalities that did respond aligned with the diversity of municipalities (size and capacity-wise), so while the response rates could have been higher, there is no evidence of systematic bias in the responses. In addition, while this data saw variation in adoption levels, research would benefit from an analysis of municipalities in other states. Colorado and North Carolina are both conservative to moderately conservative states (Swift, 2013). Future research should be expanded to samples that involve progressive and highly conservative states, for example, to see if this impacts adoption practices. In addition, it would be interesting to see whether a high level of municipal unionization facilitated or inhibited the implementation of SHCM. Further exploration of municipalities with different operating contexts would further the knowledge base on SHCM implementation and overall municipal HRM practices. Finally, as with much survey data, the data were cross-sectional. As SHCM implementation is a process, future research would benefit from longitudinal studies able to better examine the dynamics of that process over time and determine what influences or inhibits the process.

Respondents in this research were those individuals identified as responsible for the HR function; the perspective of HR professionals is an important perspective but one that needs to be balanced with other key leaders. In many cases, an HR professional can be ready and interested in a greater role but needs to have the support, invitation, and culture provided by municipal leadership. Future research would benefit from gaining additional insights from other positions and assessing organizational culture and readiness for such a transition. The perspective of non-HR professionals evaluating and identifying HR's role could also show that HR leadership may see their role, influence, importance, and performance as greater than those that they serve. In addition, gaining the perspective of those not involved directly with HR could help identify possible barriers in the integration of HRM with the overall strategic management and direction of municipalities. The variation in the reported results lessens the concern of exaggerated results, but the concern remains.

Although we have examined what influences the adoption of SHCM practices, we have not addressed the argument of many HRM researchers that a transition to SHCM will increase the performance of organizations. Given this assertion, future work would benefit from examining the link between the level of SHCM adoption to an important organizational outcome to see the level of impact it has; outcomes related to internal management (such as turnover) as well as service or department level outcomes would provide a more complete view of the impact of SHCM compared with traditional personnel management. Finally, in seeking to expand the capacity of the HR function, the question of how to do this may need to include an investigation into broader measures of governmental capacity. Although there may be interest in expanding the role of HR professionals in a strategic direction, this may have limited feasibility based on the overall leadership and organizational capacity in the municipality. In organizations that lack strategic plans or a concrete set of strategic business priorities, it may be much more difficult for HR professionals who seek to play a more strategic role to take the next step.

In addition to organizational level factors, more research is needed on the education and training of those charged with the HR function in municipalities. Straus (1993) notes that HR professionals, as a group, are less likely than their counterparts in other public agencies to have graduate education that would provide them with some of the foundational skills to take on these more strategic roles. For this sample, only 28.9% had a master's degree or higher, and only 29.3% had a bachelor's degree. In addition, many individuals within these positions often have learned and gained skills on the job. They also have been rewarded and promoted often for their success in compliance and maintenance aspects of the job. Much like when scientists are promoted for good scientific expertise into management positions and are surprised when they are not good managers, organizations have promoted HR executives through offices based on being good at maintenance and compliance and seem to be surprised when they do not automatically take on more strategic efforts. To address this limitation, it is necessary for organizations to invest in the education and development of personnel and HR professionals. This requires a long-term vision for what is needed from these positions now and into the future. Ironically, it is often the HR department that is in charge of such developmental needs and may or may not have the mentorship and guidance to ensure that their own development plans are in place and become a priority for limited training budgets.

Conclusion

There have been continued calls for moving the HR function from one of administrative enforcer and naysayer to strategic partner, employee advocate, and organizational change expert. Despite the interest and advocated benefits for organizations to move from traditional public personnel administration to SHCM, there had been a lack of empirical evidence to indicate what progress if any has been made. Results presented in this research indicate that while progress had been made, there is still significant variation on the extent to which municipalities are implementing SHCM practices. Considering that a municipality's human capital is its most important competitive advantage, it is promising to see that HR professionals are being brought into strategic conversations, but our results show substantial untapped opportunities in many municipalities.

Serving as a support system for the implementation of strategic decisions is consistent with how HR professionals characterize the roles that they play, but few municipalities in our sample indicate that they serve as a full management partner. Although many may not yet be as fully engaged in this role either in terms of the practices they perform or the role in which they are viewed, there is at least a sense that movement to a more fully integrated role is needed (at least for half of the respondents). For those jurisdictions that have seen greater adoption of SHCM practices, there are a number of factors that appear related. Correlation results demonstrate valuing HRM in the operation of and performance of municipal government relates to a greater implementation of SHCM practices. If leaders view HR and its associated functions as important and welcome the HR staff in a more strategic role, this is an important step in the SHCM implementation process.

Correlation results indicate that HR leadership and internal capacity matter to SHCM adoption. Characteristics of the HR leader are associated with increased involvement in a range of SHCM practices. In addition, the capacity and performance of the HR staff matter to the level of which the department engages in SHCM practices. If a department wants to embrace additional SHCM practices, it may consider what training and development is needed within their own staffs to increase capacity and competencies to take on this new set of roles and responsibilities. In addition, although there is attention and focus being paid to the new roles and contributions that HR can make to an institution, it is important to be a strong performer on traditional core HR functions. Increased performance of core HR functions was found to be correlated with increased level of SHCM practices. It is unlikely that a department that is not seen as capable for traditional functions would be given the additional responsibility to take on additional strategic tasks.

Interestingly many of these correlations did not remain significant in the regression model; rather, the role that the HR department plays in the strategic planning process and the level of importance attributed to performing a range of HR practices were the variables of significance. Both the correlation and regression results highlight a range of factors that help provide evidence of factors that influence municipal HR offices engaging in more SHCM practices, but more research is needed to understand the relationship between these factors and SHCM. Collectively these results provide an interesting set of future empirical questions for scholars and actions for consideration for HR professionals. This research does not uncover any one magic formula to move from having a traditional personnel administration to a SHCM, but it highlights a range of practices and factors that matter. Further research on adoption and impact of SHCM on performance and outcomes is needed and provides a possibility to further understand what, why, and when HR professionals are ready, able, and appropriately positioned to make such a change.

Appendix

As stated in the “Data and Method” section, the following are the indices with their associated measures and reliability scores. By combining practices into an index, it capture a more comprehensive and holistic view of what is happening in organizations compared to simply seeing what particular practice or measure are being used. In addition, we include the measures of the additional variables included in the correlations and OLS regression presented in Table 7.

Strategic Human Capital Implementation (SHCMIMPL)

- Cronbach’s alpha = 0.968
- Scale ranges from *little to no extent* = 1 to *very great extent* = 5; index additive of elements but scaled

Elements of Index (response options: *little to no extent* = 1 to *very great extent* = 5):

Identify strategic goals
 Decide among strategy options
 Design criteria for success
 Plan for human capital
 Assess organizational readiness to implement strategies
 Design structure
 Work with leaders
 Recruit and develop talent
 Assess workforce competencies
 ID new strategic opportunities

HR Importance (HRIMPORT)

- Cronbach's alpha = 0.95
- Scale ranges from *not at all important* = 1 to *very important* = 5; index additive of elements but scaled

Elements of Index (response options *not at all important* = 1 to *very important* = 5):

Change consulting
 Strategic partnering
 Improving decision making around HR and human capital
 Tailoring of practices to fit municipal needs
 Improving employee commitment
 Developing strategies
 Acting as employee advocate
 Improving overall municipal performance

Metric Collection (METCOLL)

- Cronbach's alpha = 0.85
- Index additive of elements but scaled

Elements of Index (response options 0 = *no* to 1 = *yes*):

Workforce demographics
 Workforce competencies
 Employee satisfaction
 Training and development expenditures
 Types of training
 Employee productivity
 Recruitment and selection
 Attrition rate
 Performance appraisal

Metric Use (METUSE)

- Cronbach's alpha = 0.931
- Scale ranges from *not useful* = 1 to *very useful* = 4; index additive but scaled
- When the metric is not collected it is excluded from this index (leading to much smaller n)

Elements of Index (response options *not at all useful* = 1 to *very useful* = 4):

Workforce demographics
 Workforce competencies
 Employee satisfaction
 Training and development expenditures
 Types of training
 Employee productivity
 Recruitment and selection
 Attrition rate
 Performance appraisal

Measures Associated With the HR Director (or Person in Charge of HR)

Years in HRM (HRMYRS): Self-reported number of years of experience in human resource management

Education (ED): Highest level of education achieved, coded 1 = *high school graduate*, 2 = *some college*, 3 = *associates degree*, 4 = *bachelor's degree*, 5 = *master's degree or higher*

HRM certification (CERT): Do you have any HRM certifications (e.g., SHRM certification), coded 1 = *yes*, 0 = *no*

Other Measures

HR Staff Skill (STFSKILL): What percentage of your professional HR staff possesses the necessary skill set for success in today's changing environment? Coded 1 = *none*, 2 = *almost none* (1%-20%), 3 = *some* (21%-40%), 4 = *about half* (41%-60%), 5 = *most* (61%-80%), 6 = *almost all* (81%-99%), 7 = *all* (100%).

Performance of Core HR Services (CORE): Please rate the following activities in terms of how well the HRM function performs these activities: providing core HR services (e.g., hiring, benefits, training). Coded 1 to 5, with 1 = *does not perform at all*, and 5 = *performs at a high level*.

Role of HR (ROLE): Which of the following best describes the relationship between the HR function and the overall strategic direction of your municipality? Coded 1 to 5.

1 = no role in strategic plan, 2 = no formal plan but HR provides strategic advice, 3 = HR provides input into HR issues, 4 = HR provides input into broader strategies, and 5 = HR full management partner.

HR FTEs (HRFTE): Self-reported number of employees who are part of the HR function in the municipality.

Municipal FTEs (MUNFTE): Self-reported number of full-time benefited employees in 2011.

Table A1. Indexes and Variable Summary Statistics.

	<i>n</i>	Minimum	Maximum	<i>M</i>	<i>SD</i>
SHCMIMPL	215	1.00	5.00	2.49	1.07
HRIMPORT	202	1.00	5.00	3.61	1.13
METCOLL	211	0.00	10.00	3.77	3.11
METUSE	48	1.00	4.00	2.82	0.70
Years in HRM (HRMYRS)	243	0.00	36.00	13.30	9.90
Education (ED)	249	1.00	5.00	3.53	1.30
HRM certification (CERT)	169	1.00	2.00	1.85	0.36
HR staff skill (STFSKILL)	216	1.00	7.00	4.64	2.01
Performance of core HR services (CORE)	214	1.00	5.00	3.52	1.32
Role of HR (ROLE)	222	1.00	5.00	2.69	1.27
HR FTEs (HRFTE)	243	0.00	32.75	2.74	3.97
Municipal FTEs (MUNFTE)	249	0.00	6,600.0	144.19	511.78

Note. SHCMIMPL = SHCM implementation; SHCM = strategic human capital management; HRIMPORT = HR Importance; METCOLL = metric collection; METUSE = metric use.

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Notes

1. The indices were drawn from previous studies of SHCM. However, confirmatory factor analysis (in addition to the reliability analysis) was run on each of the indices. Each index loaded on a single factor, demonstrating the strength of the indices.
2. The regression model incorporates the same set of variables as were examined in the correlations with a few strategic exceptions. The response on the Metric Usefulness (METUSE) decreases the response rate significantly (from 132 to 48) and as such was excluded from

the model. The issue of size was examined in several ways; the model was run with population, budget, total FTE, HR FTE, and FTE per capita, and none were found statistically significant. Given the range on FTEs within the sample (the distribution on this variable is 0-6600), the variable was broken into quartiles to create a set of binary variables (since the distribution on the data within the quartiles is non-evenly distributed) and ran in the model (excluding one of them). The dummy variable for “large” was omitted and treated as the reference category or comparison group allowing us to control from collinearity among the dummy variables. Based on the selection of total FTE within the model HR FTE was excluded because of the strong relationship between the organizational workforce size and the size of the HR department. After all of this, the variable of size still does not impact the models. To ensure that issues of multi-collinearity and heteroskedasticity were not present in the model, a number of tests were run all indicating that these data issues were not present. We tested for issues of collinearity in the data looking at the variance inflation factor (VIF), which quantifies the severity of multi-collinearity in an ordinary least squares regression analysis. All VIF scores were below the cut-off threshold of 5 (generally considered evidence of multi-collinearity). We also ran the Durbin–Watson test for our regression, and in all models, the results indicated that correlations were not a concern (a general rule of thumb, the residuals are uncorrelated if the Durbin–Watson statistic is approximately 2).

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