

DEPARTMENT OF THE NAVY

## HUMAN

\* \* \* BUILDING AND MANAGING \* \* \*

# **CAPITAL**

 $\star$   $\star$   $\star$  The total naval force  $\star$   $\star$   $\star$ 

# **STRATEGY**

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"Moving forward to execute a comprehensive strategy to enhance combat effectiveness in the 21st Century, the Department of the Navy is designing a force that is aligned, shaped, and developed to current and future mission requirements."

—Donald C. Winter, Secretary of the Navy, 1 March 2006

# FOR OUR PEOPLE AND OUR NATION



ompetent, motivated, and dedicated people are the key to organizational and operational success. Today we have the best Sailors, Marines and civilians the Department of the Navy has ever had. Their vision and ability to invent, inspire and persevere will ensure that those serving and supporting the Department in the future will be even better.

To continue to meet the challenges of the 21st Century, we must develop multi-disciplinary, enthusiastic, and effective personnel. By promoting a culture of lifelong learning, we demonstrate our commitment to our Total Naval Force and enable them to achieve our mission as part of a Joint fight in service to the Nation.

We will set the example for other organizations to follow by having programs that provide the training and education needed to keep our forces ready to fight and win. We will adjust current programs and create new ones to ensure we properly utilize the time, talent and spirit of our people. We must maintain the capability to adapt to changing requirements and to integrate effectively with Joint Forces.

Thus focused, we shall create an environment in which both the Department of the Navy and the people who serve in it, receive the benefits of national service at a critical time in history. Individuals will achieve their personal and professional aspirations, and the Department will achieve its goal of producing a 21st Century Total Naval Force with all the attributes to ensure success and mission accomplishment.

**Donald C. Winter** Secretary of the Navy

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## SUPPORTING AND ACCOMPLISHING







21ST CENTURY NAVAL MISSIONS

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The 2007 DON HCS reflects the vision and goals established in the most recent National Security and National Defense Strategies and the 2006 Quadrennial Defense Review, that is: to build and manage a more agile, deployable, and capable Total Naval Force.







#### INTRODUCTION

n past generations of warfare, mass, mobility, and speed were decisive. More recently, technological superiority in complex battlespaces proved dominant. In the 21st Century, however, we face foes dispersed around the world who are adept at evolving asymmetrical techniques to counter our technological advantages.

In the 21st Century, our most sophisticated weapon system is the human brain, and our most powerful advantage is our people. Today, and in future operations, people provide the margin of performance that determines who wins or loses, succeeds or fails, in pursuit of vital national interests.

Given this reality, the Department of the Navy (DON), to fulfill its naval mission, must be capable of supporting the broadest possible range of options to address not only known threats but also situations only dimly foreseen or imagined today. The 2006 National Security Strategy, along with other foundational strategic documents, expressly called for change in our institutions to meet new security challenges. The 2006 Quadrennial Defense Review (QDR) identified the human capital requirement "to produce a truly integrated joint force that is more agile, more rapidly deployable, and more capable against the wider range of threats."

Tomorrow's force will be different from the one we have today. Developing tomorrow's force will require changes in the way we think and act. In the human capital realm, we must ask, "How should we be organized, trained, and equipped to successfully address 21st Century challenges?"

Fundamentally, we must create manpower and personnel systems capable of placing the right people with the right skills, at the right time and place, and at the best value, to support or accomplish

21st Century naval missions.

In the 21st Century,

In the 21st Century, our most sophisticated weapon system is the human brain, and our most powerful advantage is our people. The Department of the Navy published a Human Capital Strategy (HCS) in 2004 that addressed various personnel policy and resource management changes required to develop a more agile and flexible total naval force. Since then we have taken positive steps towards implementing this strategy, including identifying key tasks and milestones to guide the many initiatives now under way to improve the Department's personnel capabilities and flexibility.

The Department of the Navy's 2007 Human Capital Strategy both refines and accelerates actions taken under the 2004 DON Human Capital Strategy to support the Services, expedite change, and manage risks. The 2007 DON HCS reflects the vision and goals established in the most recent National Security and National Defense Strategies and the 2006 Quadrennial Defense Review, that is: to build and manage a more agile, deployable, and capable Total Naval Force.



"Recent operational experiences highlight capabilities and capacities that the Department must instill in the Total Force to prevail in a long, irregular war while deterring a broad array of challenges. The future force must be more finely tailored, more accessible to the joint command and better configured to operate with other agencies and international partners in complex operations. It must have far greater endurance. It must be trained, ready to operate and able to make decisions in traditionally non-military areas, such as disaster response and stabilization."

—Quadrennial Defense Review Report, February 2006







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#### CHANGING WARFARE

To ensure we continue winning battles, winning wars in this new strategic environment, a more agile, flexible total force is required. Between 2001 and 2003, three documents emerged from the Department of the Navy setting forth its assessment of, and plans and requirements for, fighting wars in the 21st Century: Naval Power 21, Sea Power 21, and Marine Corps Strategy 21. These documents all described a changed - and continually changing - world, demanding greater agility, flexibility, and adaptability on the part of active and reserve military, government civilian, private contractor, and volunteer personnel who comprise the Department's Total Naval Force.

During the same period, many DoD and defenserelated commissions, boards, and task forces have examined the new strategic environment. There is widespread agreement that new thinking and innovative practices are needed in human resources policies and practices to create the agile, flexible force required for effective future missions.

The members of our Navy-Marine Corps Team have always done whatever it takes to accomplish their missions. They deserve to be well rewarded, well managed, and deployed in a manner that allows them to achieve effective, efficient, and expeditious results.

#### CHANGING WORKFORCE

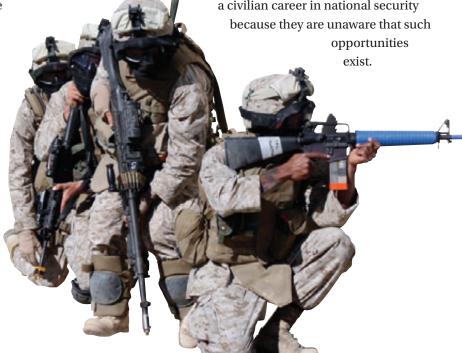
Since the establishment of the All Volunteer Force in 1973, there has been significant change in the American workforce. Many of these changes affect the military's ability to recruit and retain personnel, such as:

- Longer life expectancy
- More individuals attaining higher education
- Greater diversity in the population
- Greater flexibility in workplace and work patterns

Operating under personnel systems that have remained essentially unchanged for half a century has made it more difficult for the DoD to compete effectively with non-governmental opportunities for all elements of its total force.

Current structures and policies often serve to perpetuate the current legacy system rather than supporting and encouraging movement towards a

> high-performing workforce. Many highly qualified individuals never consider a civilian career in national security opportunities



Unfortunately, prolonged hiring processes and the relative lack of training, education, and development opportunities for civilian government workers have driven away good candidates in the past. The new National Security Personnel System (NSPS) places greater focus on performance and alignment, providing greater opportunities for addressing these challenges.

Many who enter the military do not choose to stay but instead leave early to pursue the greater flexibility and opportunities available outside the military. Some who leave the military would like to return on either a full- or part-time basis, but find that doing so would undermine their professional development, financial growth, or work-life balance. We must improve the way we manage and develop people, both military and civilian, if we are to create the best value total force for our investment.

## CHANGING TECHNOLOGIES AND PROCESSES

The Department of Defense has initiated a number of programs, overseen by the DoD Business Transformation Agency, designed to streamline business and operational processes by taking advantage of advanced technologies and best business practices. Within the Department of the Navy, the DON Business Transformation Council, the Navy's Sea Enterprise initiative, and the Marine Corps Business Enterprise Office are centers of excellence for continuous improvement. They demand and enable personnel with specific competencies to do more - making better decisions faster in a more collaborative environment - to speed mission accomplishment. This evolution of infrastructure and processes has also driven the need to adapt and advance the DON's Human Capital Strategy.







#### CHANGED STRATEGIES

Advances and changes in warfare, workforce, technologies, and processes led the Department of the Navy to develop a new Human Capital Strategy in 2004. This strategy emphasized the value of people – that is, human capital – and the growing need to develop them as a principal resource to support readiness and mission accomplishment. It concluded that a modern human capital management system is required to evolve the Total Naval Force into one that will better balance capabilities and active/reserve integration for delivering greater force agility and flexibility.

The 2004 document designated the Department's Force Management Oversight Council (FMOC) to lead the effort to establish the foundations for a new DON human capital management system. The FMOC has accomplished numerous policy initiatives since 2004, including:

- Issued the DON Human Resources Information Technology (HR-IT) Strategy.
- Published the DON Guiding Principles for a Military Compensation Strategy.
- Created a checklist for developing and evaluating compensation-related policies.
- Implemented a pilot program to assist Severely Injured Marines and Sailors (SIMS) by streamlining regulations and processes.
- Established a new oversight approach for the Department's diversity, equal opportunity / equal employment opportunity (EO/EEO) and human relations programs.
- Published a Department of the Navy Total Force Integration Lexicon and Terms of Reference.
- Formed Policy Review Teams to develop proposals for enhanced force management flexibility and agility.

After adopting the 2004 Human Capital Strategy, the Force Management Oversight Council next developed a strategic plan, in consultation with the Chief of Naval Operations, the Commandant of the Marine Corps, other DoD principal staff, and outside experts. The resulting FMOC Strategic Plan for 2006-2009, identified four major policy priority areas:

- 1) National Security Personnel System (NSPS)
- 2) Human Capital Strategy Enablers
  - Human Resources Management Information System (HR-MIS)
  - · Competencies Management
  - Continuum of Service (CoS)
  - Strategic Focus on Professional Development
  - Enhancing the Diversity of the Workforce
  - Human Systems Integration and Performance
  - Military Compensation and Incentivization Strategy
- 3) Workforce Utilization and Planning
- 4) Comprehensive Military Personnel Legislation

The Secretary of the Navy, the Chief of Naval Operations, and the Commandant of the Marine Corps endorsed and adopted the FMOC Strategic Plan as one of the overall Department of the Navy Objectives for 2006 and 2007.

"Provide a Total Naval Workforce capable and optimized to support the National Defense Strategy, that will develop agile and flexible personnel management for 21st Century requirements through execution of the Force Management Oversight Council (FMOC) Strategic Plan."

As the Department of the Navy initiated execution of its Human Capital Strategy, the Department of Defense began to issue numerous policy studies and strategic documents, including reports from the Quadrennial Defense Review (QDR) and the Defense Advisory Committee on Military Compensation (DACMC). These documents reiterated the need for institutional changes, particularly to improve human capital management, and reinforced the direction taken by the Department of the Navy's Human Capital Strategy.

Given the pressing need for change in human capital management, as reflected in recent guidance from DoD and DON leadership, now is an appropriate time to update the DON Human Capital Strategy. This will further align and accelerate human capital transformation efforts with the direction and needs of 21st Century warfare – in which people are a most critical, if not the decisive, factor for success.

"The transformation of the Total Force will require updated, appropriate authorities and tools from Congress to shape it and improve its sustainability. Two key enablers of this transformation will be a new Human Capital Strategy for the Department of Defense and the application of the new National Security Personnel System to manage the Department's civilian personnel."

**QDR Report** ★ FEBRUARY 2006

"To whatever degree the compensation system has improved over time, it still retains elements that were better suited to an era of conscription and paternalism. These features impede force management, raise costs, and keep a very good force from becoming even better. Since personnel costs reflect a significant portion of the Department of Defense (DoD) budget, gains in efficiency and savings in costs offer tremendous benefit over the long run."

DACMC Report \* APRIL 2006

## PEOPLE ARE OUR









MOST VALUABLE ASSET

#### THE DEPARTMENT OF THE NAVY

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eople are our most valuable asset. Their genius is the basis for our asymmetrical superiority in naval power. Their talents enable us to gain the utmost advantage in whatever operations - warfighting, peacekeeping, or humanitarian - we undertake.

Our 2007 Human Capital Strategy (2007 HCS) puts people at the center of the Department's plans and actions, by demonstrating the value we attach to our people. The 2007 HCS aims to produce a human capital management system that is efficient, effective, aligned, and balanced. When adopted and implemented it will contribute significantly to creating the future state originally envisioned in *Naval Power 21*, *Sea Power 21*, and *Marine Corps Strategy 21*.

#### **OUR VISION**

Our Vision is to support the National Security and National Defense Objectives through strategic management of the Department's Total Naval Force of active and reserve military, government civilian, private contractor, and volunteer personnel.

#### **OUR STRATEGIC OBJECTIVE**

Our Strategic Objective is to produce and employ the right people with the right skills, at the right time and place, and at the best value, to support or accomplish 21st Century naval missions.

#### **OUR STRATEGIC GOALS**

Achieving our vision requires that strategic goals be established and attained. None of the goals can stand alone – each supports and receives support from the others.

#### PEOPLE-FOCUSED GOALS

#### *Inspire*

To deepen the workforce's commitment to mission accomplishment and warfighting excellence. This goal will be achieved, in part, by leveraging new advances in information technology, human performance technology, and human sciences research to better match people to careers and jobs.

We will continually foster a professional culture within our organizations that inspires high quality work and lifelong service to the Nation in the Department of the Navy. We must never diminish the highest virtues of Honor, Courage, and Commitment embedded within the warrior ethos of our Services and our support organizations.

#### Develop

To build intellectual capital by creating an environment that supports lifelong learning and individual growth opportunities.

Comprehensive planning and greater investment in training, education, and career opportunities will help cultivate the talents of our people. We must help our component organizations develop their people through responsive, accessible, tailored, and effective individual development programs.

Future naval challenges will demand strategic leadership with access to an array of competencies at all levels. As never before, actions by single individuals can have immediate and far-reaching consequences. The Naval Force now operates as part of a Joint Force, but future operations will demand even more integrated and collaborative efforts. All of our people must be groomed and developed appropriately to succeed in a world where high performance at every level of endeavor - from the "Strategic Corporal" to the Strategic Reserve – is vitally important.

#### **Compensate**

To create a realistically affordable compensation system. Reforming our systems for compensation, benefits, and incentivization will allow the Department of the Navy to:

- · Compete successfully for talent
- Encourage and reward performance
- Recognize contribution

Compensation policies must serve to motivate an all-volunteer workforce, and members must perceive their compensation to be fair and equitable, with exceptional performance rewarded appropriately. Effective compensation policy addresses not only cash but also non-cash rewards, benefits, and other elements that people value. High quality medical care is an important benefit, which can be further enriched by offering preventative and health promotion incentives.

To achieve our ultimate goal of mission readiness and mission accomplishment, we need to link individual compensation to individual performance, competence, and contributions. We must be able to respond quickly and effectively to changing market conditions and Service requirements. Targeted compensation can provide cost-effective solutions to address specific needs. Aligning compensation policies with other elements of the Human Capital Strategy will produce the highest value, maximizing mission contribution and minimizing cost.

#### PEOPLE-MANAGEMENT FOCUSED GOALS

The life cycle for human capital is indeed a cycle. The best measure of how well we find, develop, and manage people is how well they perform their work and, at the end of their career, how they themselves assess the value of their service.

#### Recruit/Access

To recruit the right number and mix of individuals for the Total Naval Force. The Department of the Navy needs different kinds of people – military, civilians, contractors, and volunteers – for different kinds of requirements. This goal will be achieved through programs that attract the best of America's workforce, a workforce that is more diverse and better educated than ever.

We will promote more people-focused initiatives to improve career development, job fulfillment, and quality of service within the Department of the Navy. We will select the right individuals of talent, skill, and quality, who are adaptable to changing requirements. To support this goal, accession processes must be flexible and timely.

#### Manage the Force

To manage our total workforce through an aligned and integrated human capital management system. An efficient human capital management system uses modern management tools to determine and validate total force mission requirements. The effective use of modern management tools in turn depends on access to timely, accurate, complete, and relevant personnel information, as well as information on associated workforce costs.

We will carefully assess current systems and methods to ensure that our investments produce personnel support systems that empower individuals and minimize transaction costs. Finally, human capital management systems within the Department of the Navy must be able to communicate and integrate with systems in other Services and the Department of Defense to facilitate more effective Joint operations.







#### Shape the Force

To use workforce planning and utilization tools to shape and manage the Total Naval Force.

In order to properly cultivate, develop, shape, and manage the workforce, strategic workforce planning needs to be embedded in enterprise planning processes.

Strategies must be in place and tools utilized to collect and properly analyze workforce data so that force-shaping options can be evaluated. Implementing strategic workforce planning processes will facilitate efficient and effective use of varying experiences, grades, skills, competencies, and component mixes to provide a multi-skilled workforce.

#### **Transition**

To provide opportunities for our people to transition between different career avenues at different stages of their lives. Our ability to provide this Continuum of Service - so that individuals might be able to continue to serve the Nation in various capacities – is the truest measure of their value to the Department of the Navy. It is

practices, often without a strategy for capturing their vital skill sets. In the future, we envision a system that would provide on-ramps and offramps at different phases of service, recognizing that the next step is another opportunity to serve.

We will create a flexible, supportive system that meets the Department's specific employment needs for different workforce components, occupations, skills, and career paths. The system will permit individuals to transition to their "next career" at the right time and on good terms. It will provide multiple opportunities to move between statuses (i.e., active and reserve military, government civilian, private contractor, and volunteer) without compromising opportunities, compensation, or lifestyle. The ideal system will ensure that the Nation will always have a reservoir of patriotic Americans ready to mobilize for national service when the need arises.





The Department of the Navy will achieve its goal of producing a 21st Century Total Naval Force delivering the right people with the right skills, at the right time and place, and at the best value, to ensure mission success.

#### DEPARTMENT THE NAVY

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o achieve our Strategic Goals, the Department of the Navy will divest itself of those activities/functions that are no longer relevant to our core mission. We will assess our core competencies, determine what functions are inherently governmental, and carefully consider the cost of personnel - active and reserve military, government civilian, private contractor, and volunteer personnel, including our retirees.

As a rule, we will contract out those functions determined to be non-governmental. Functions that are determined to be inherently governmental will be divided into three categories—

- those that should be carried out solely by civilians;
- those that can be performed either by military personnel or by civilians; and
- those that require performance by military personnel alone.

For those functions that could be performed by military personnel or by civilians, the National Security Personnel System will provide the flexibility and performance incentives to assign civilians to these positions.

While it will take many years to realize all the benefits of the Department of the Navy Human Capital Strategy, many initiatives that will contribute to accomplishing goals and achieving our Human Capital Strategy are well under way. It is important to look at the priorities and progress in advancing the 2007 Human Capital Strategy.

#### **MOVING FORWARD**

The DON Force Management Oversight Council continues to provide a forum for senior civilian and military naval leadership to focus on one of the greatest challenges facing the Department – strategic human capital management. By focusing on key priorities and developing solutions for the opportunities that exist in each of these areas, we will further strengthen our commitment to our people. This will require the Department to:

- Test new, innovative ideas for policies, programs, and management systems affecting all or portions of the Total Naval Force;
- Be responsive to shifting requirements and changes, and creating an environment in which change can flourish; and
- Understand the unsurpassed value of people and their roles in mission accomplishment and in sharing this knowledge with others.

The Department of the Navy has a special opportunity now to communicate the importance of its Human Capital Strategy among key influencers who can help drive its support, implementation, adoption, and funding. We need to deliver the key messages contained in the Strategy to policy makers, and strengthen our coalition of innovators who will endorse and engage in activities to speed change in human capital management. The Global War on Terrorism has created an imperative for rapidly addressing shortfalls in the current personnel system.







#### CONCLUSION

eople are our most valued asset. They provide the asymmetric advantage that will lead to success in the Global War on Terrorism and future 21st Century missions. The Department of the Navy's success in these missions depends on having the agility, flexibility, and adaptability to deliver the right people with the right skills, at the right time and place, and at the best value. We are committed to leveraging the best leadership and management principles and systems available. We intend to exploit the best scientific and technological advancements. And we desire to foster a culture of lifelong learning and service to the Nation to attract and build America's best citizens.

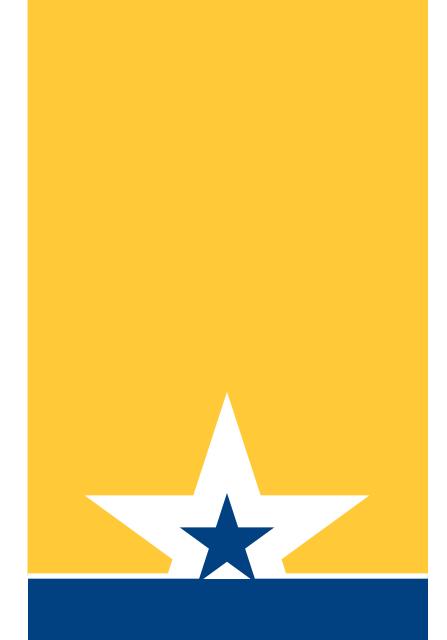
To do so, the 2007 Department of the Navy Human Capital Strategy provides the framework for developing the Total Naval Force – active and reserve military, government civilian, private contractor, and volunteer personnel – and personnel management policies and systems to ensure both competencies and capabilities are in place to meet the changing demands of today's and tomorrow's missions. The Department will identify appropriate tasks to implement and track in order to execute this strategy.

This strategy aligns with the direction of the 2006 Quadrennial Defense Review. It reflects the value we place on people and our commitment to creating an environment that capitalizes on talent, further develops their expertise, advances their professional careers, and improves their overall quality of life.

Successfully executing our mission in the 21st Century requires fully leveraging the talents of our people and our investment in the Total Naval Force. The Department of the Navy has developed the 2007 Human Capital Strategy to serve as our guiding star to achieve our vision, objective, and goals. Together, we can succeed!

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# BUILDING AND MANAGING THE TOTAL NAVAL FORCE





## OFFICE OF THE SECRETARY OF THE NAVY MANPOWER AND RESERVE AFFAIRS

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