As competition for winning new awards intensifies, project-based businesses must align their workforce strategy with their business objectives more than ever before. For organizations to successfully accomplish this, they must craft a comprehensive human capital management strategy that focuses not only on attracting skilled employees, but also investing in their future.

Human capital management is a critical component for any organization that wants to stay competitive and continue to grow. A company is only as good as its employees. For government contractors who rely on the skills and experience of their workforce to win and deliver projects to their customers, human capital management is an essential strategy.

So what exactly is human capital management? It boils down to a set of practices related to how people are hired, managed, and most importantly, how they are supported throughout their career. “Human capital management is the human aspect of the business,” says Marc Holliday, Director of Product Marketing at Deltek. “It is about acquiring a workforce, managing them, developing them, and getting the most out of your human capital.”

A robust human capital management strategy focuses on three main areas: workforce acquisition, workforce management and workforce optimization.

- **Workforce acquisition** includes the processes, systems, and people who bring new talent into the organization, including full-time and part-time employees, temporaries, and subcontractors.
- **Workforce management** includes the processes, systems, and people who manage the day-to-day operations of the workforce such as payroll, benefits, compliance and administration.
- **Workforce optimization** includes the processes, systems, and people who strategically analyze the entire workforce and map that analysis to both current and future project needs.

At the end of the day, the goal of human capital management is to provide economic value for the business. Most companies have people, processes and information systems in place to acquire and manage human capital—very few are optimizing.
**Challenges for Government Contractors**

The government contracting industry has some unique human capital management challenges that set them apart. “How to manage the workforce becomes front of mind for contractors,” says Holliday, “because there are so many different dynamics involved.”

Government contractors experience higher turnover rates than other industries, depend more on project managers and subcontractors, are governed by regulations on things like executive compensation, and have a very dynamic and elastic workforce that can double or triple in a short period of time. There is one example of a contractor hiring 750 people in three weeks, which doesn’t typically occur in the commercial space, says Holliday.

Federal contractors also face more scrutiny regarding labor costs, which requires careful record keeping. Government contracting is mostly a subset of professional services, which makes human capital management all the more urgent. “In our world human capital is the most important,” says Holliday, “because the people are the product.”

In many cases, however, companies are relying on outdated, non-centralized or manual human capital management systems. This can have a negative impact on the bottom line. “Their business models are generated from the skills, knowledge, and experience of the workforce. That’s how they compete,” says Holliday. “It is a very service-oriented industry and without the people and their experience they aren’t in business. They sell the knowledge of their employees every day.”

Although federal contractors have some unique challenges, they share many of the same business objectives as commercial enterprises. They want to grow the company, diversify into new agencies, operate more efficiently, protect current contracts, control costs, expand globally and be more competitive.

However, some of these objectives are disrupted by numerous internal and external factors—all of which affect workforce management. These include failed mergers and acquisitions; agency budget cuts that can slow company growth; general accounting solutions that don’t detail company costs, revenue, and profits; high rates of voluntary separation; and inefficient contract management.

A company’s competitive advantage is closely tied to its human capital. “They are your brand,” says Holliday. They increase a company’s intellectual property and demonstrate innovation to highlight specific areas of expertise. The collective experience they have gained from previous projects increases the company’s capabilities. It also further differentiates the company from its competitors.

As the new administration transitions into office, many contractors are taking a wait and see position when it comes to bidding on new contracts. They are instead focusing on maintaining their existing contracts and investing more in their human capital in areas such as business development and more centralized project management.

However, even this “safe” approach can be impacted by a weak human capital management strategy, he says. There are a few reasons a company can lose a re-compete. These include not fully understanding its cost structure in order to provide new competitive rates (causing it to be underbid), and not having enough business development people to build relationships with the new hires in the new administration.

**Human Capital Management Strategy**

Human capital management strategies have a lot to do with turning investments in people into learning, says Holliday. “How much or little will you invest in training your workforce to give them the skills to do their jobs? How much are you willing to make those investments in order to retain your top talent?” It’s also important that a company
brand itself—not only to potential customers, but also to its current and future employees. “What does your company look like to a prospective employee? Most government contractors don’t pay much attention to that.”

Human capital management strategies involve other factors as well. Those include process involvement, learning management, competency development, organizational integration, performance evaluation and system enhancement. What role does each of those play within a larger human capital management strategy? Here are some examples:

- **Process Involvement**: In a human capital strategy, everyone is more involved in the process of developing talent. Human resources, management and employees all have a stake.

- **Learning Management**: One of the top reasons people leave a company is they don’t see future opportunities. Creating learning programs that map into career paths goes a long way in retaining top talent. This is especially true for knowledge based professional services firms like government contractors who must keep technology skills up to date.

- **Competency Development**: Skills, knowledge and abilities are all competencies. They are the “how” of performing a task and the “what you need” to perform the task. Companies that focus on growing competencies have happier employees and can be more competitive.

- **Organizational Integration**: When a company’s internal and external factors successfully mesh, they achieve organizational integration. Internal factors include culture, management style, and organizational structure. External factors include company mission, business model, and the economy. This is critical when mergers, acquisitions or joint ventures are formed to meet a business objective.

- **Performance Evaluation**: This is how companies provide feedback to the workforce on their job performance. Whether it is an annual performance review or ongoing, companies need to make this part of their strategy.

- **System Enhancement**: A company needs the best information about their workforce as a whole and about the individuals within that workforce. Government contractors often use spreadsheets to manage time and attendance, compensation, and paid time off. These are often disconnected systems that don’t present a unified view.

It’s essential for a contractor to align its human capital management strategy with its business objectives. “Most companies have business objectives, but a lot of government contractors don’t have a human capital management plan,” says Holliday. “You need to have both.”

Visionary executives, fiscal discipline from the management team and the competency of the workforce to deliver goods and services to the customer are what makes companies stand out from the rest. Growth must be tied to a company’s organizational integration, and companies must provide a culture of learning, especially when it comes to technical competencies. Project managers are an integral part of government contracting, says Holliday, so companies should have a more focused effort to create an environment for success for that profession.

“This can go a long way to help employees grow and become better at managing scope, communicating bad news to customers, developing a better resource plans and controlling costs to deliver projects on time and on budget,” he says.

**Deltek Human Capital Management**

Deltek, best known for its Enterprise Resource Planning and accounting software, has developed a comprehensive solution set to help government contractors better align their business and workforce strategies, says Holliday. Deltek’s solution takes a unique project-centric approach to human capital management. Its products help companies analyze and manage the entire workforce; as well as develop, refine and strengthen their human capital strategy.

The company’s solutions help government contractors put people first; manage projects more efficiently; and collaborate better with employees, subcontractors, and other teaming partners, says Holliday. Deltek’s Costpoint Enterprise Resource Planning solution serves as the foundation of the company’s human capital management solution. This makes it easier for finance teams to cost all forms of human capital in a single system, bill more accurately the first time, and assign people to projects more quickly to keep cash flowing.

The company also integrates its core HR solution including payroll, benefits, leave and self-service applications for managers and employees. Deltek’s Talent Management solutions help contractors find, acquire and develop talent which is an important part of a retention strategy.
Workforce management solutions; including time and expense, subcontractor management, resource planning and budgeting and analytics; round out its comprehensive solution. All these products are kept up-to-date with compliance requirements, have insightful business intelligence, and provide a social and collaborative platform to help organizations measure employee engagement and help project teams get things done faster.

By having insight into their workforce, companies can differentiate themselves from other firms, says Holliday. This is particularly important for professional service companies such as government contractors, where the people are the product. “The knowledge, experience, and qualifications of their workforce are how they can win business,” he says.

Deltek’s human capital management solutions help contractors “quantify their human capital in meaningful ways,” he says, such as number of IT certifications, retention rates, years of experience, average time to fill a position, revenue per FTE, and past project team success, to help build and support their companies’ brand.

The company’s human capital management solutions connect and automate the entire project lifecycle and fill in the white space where manual and time-consuming processes typically exist. The project lifecycle consists of five parts—win, manage, develop, deliver and measure. Deltek offers a solution that addresses every step in the process:

**Win**

Deltek’s human capital management solutions help contractors assemble information quickly like resumes, past performance and certified skills to help them win new business or team up with another contractor.

**Manage**

Deltek’s capabilities help project managers create a good resource plan, optimize resources and manage costs and risk to help keep projects on time and on budget.

**Develop**

Deltek talent management provides integrated capabilities to help customers identify skill and talent needs, find the right talent, onboard them, and develop their skills to get them billing projects faster.

**Deliver**

Deltek project-based ERP solutions help customers tie their resources and materials to projects so they can seamlessly bill their customers, track objectives, and manage their entire workforce including subcontractors in a single system.

**Measure**

Deltek’s analytics capabilities help customers unearth problem areas and opportunities. It helps them harness information across the project lifecycle, measure performance, and ask the right questions about things like utilization, headcount and skill gaps.
Best Practices

Companies must rethink their human capital strategy because it has a direct impact on how they operate in today’s global knowledge economy. “It’s all about what you know, how you can acquire more knowledge and apply that to deliver or win more projects,” says Holliday.

In many cases, companies will have to draft a human capital management strategy from scratch. “Put it down on paper and talk about it,” he says. And include the human resource executive in long-term, strategic planning.

A good strategy should take a broad look at many aspects of a company’s workforce. Map resource needs not only to active work, but also the backlog and anything in the pipeline. “A lot of times people just look at what’s in front of them,” says Holliday, “but this doesn’t offer a complete view of what the workforce needs.”

Think about offering non-traditional perks to highly skilled, highly utilized workers to prevent burnout and separation. Money is one way, but companies should try and get creative – maybe offer a free vacation day to recognize efforts. Losing these workers can be detrimental to the company, says Holliday. Be sure to reward and recognize whole project teams, not just individuals, and modernize the workplace to attract millennials.

Develop better business intelligence to monitor the entire workforce, not just full-time employees, and invest more in project managers and the brand to attract the best talent. Project managers are “critical to the success and failure of a project which is the lifeline of a contractor,” says Holliday.

Contractors have to rethink their business strategy, how they take products and solutions to market, and develop their brand. “They have to think about building a different strategy,” says Holliday, “that focuses on human capital.”

See how Deltek’s comprehensive human capital management solutions can help you better forecast, recruit manage and invest in your human resources!

Watch the webinar: Deltek’s Human Capital Management