

Chapter 3

The Principal as Human Capital Manager: Lessons from the Private Sector

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While top-level leadership has always been recognized as a key contributor to the success of organizations, private sector organizations and management thinkers have recently recognized that middle managers are the critical links between strategy and execution. Further, research on performance in private sector organizations has begun to show that one of the most consistent factors contributing to productivity, service quality, and other aspects of organizational performance is the effectiveness of the managers who directly supervise front-line workers. In education, this research suggests that the effectiveness of principals in managing the recruitment and advancement of teachers will contribute to improvements in student learning.

One of the key ways these managers influence performance is through human capital management: the attraction, development and retention of the employee talent the organization needs. Private sector organizations such as General Electric, Microsoft, IBM, Target, Starbucks, and SYSCO Foods have begun to see the management of human capital as central to their strategies for improving organizational performance. At the same time, these companies are decentralizing responsibility for managing human capital to middle managers, who must build up their human capital management capacity. The most celebrated example is General Electric, where the management vision pushed through the company by former CEO Jack Welch involved both developing these capacities and removing those middle managers that could not or would not develop and apply them

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Figure 3.1

What is human capital? Human capital is a term that economists invented to refer to the productive skills and technical knowledge of workers. It includes individuals' knowledge, skills, and abilities and the values and motivation they have to apply their skills to the organization's goals. Economists and business people call these individual characteristics "human capital" in order to emphasize the importance of employee skills and abilities and the need for organizations to invest in their people, just as they do in physical capital, in order to succeed. As we move into the knowledge economy, human capital has become far more important than physical capital (machinery and equipment) in producing value.

In public education, human capital is likely to be even more important to organizational performance. Education is a human-capital-intensive enterprise, with around 80 percent of most school district budgets spent on staff salaries and benefits. Most of the key processes of learning are guided and influenced by the staff that interacts with children daily. In particular, teachers are a key source of value in public education. After more than a decade of research on "value-added," measures of teacher effectiveness, most researchers believe that the quality of a student's teachers is the most important influence a school can have on its students. In turn, it is also

becoming clear that school administrators – especially principals - play a key role in attracting, retaining and developing quality teachers.

In most districts, principals play a key part in acquiring, developing, and retaining human capital. They help to recruit, hire, orient, and socialize new staff; evaluate performance and provide feedback; and make suggestions for performance improvement. Principals are commonly involved in helping teachers plan for professional development, and in some districts, decisions on professional development programming have also been decentralized to the school level. Researchers have increasingly recognized the principal’s influence on the retention of human capital, something that has been long recognized by teachers. It is becoming clear that principals are one of the most important factors in retaining as well as attracting, high-performing teachers. Principals also have a more subtle but no less important influence on human capital through their influence on school culture. By intention or by default, principals help create a culture that either encourages staff to develop and apply their human capital, or that discourages them from doing so. Appendix A under “Principal Resources” lists some of the research that has substantiated principal effects on teacher attraction, retention, and school culture.

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As the principal’s role in human capital management comes to be more clearly recognized, school districts need to learn how to build the human capital management capacity of principals. We believe that public education can learn about how to build human capital management capacity from those private sector companies that have made investment in human capital a cornerstone of their performance improvement strategy. This chapter describes the most important human capital management roles of private sector middle managers, describes how some of the leading companies develop the human capital management capacity of middle managers, and concludes with some suggestions for how school districts might make human capital management a bigger part of the principal’s role without adding yet another set of demands onto their vast responsibilities.

Like private sector middle managers, principals are increasingly held accountable for performance, and many school districts are giving principals a bigger role in human capital management functions such as hiring and professional development. Also, in the past decade principals have increasingly been expected to become instructional leaders. Looked at closely, the role of instructional leader overlaps that of human capital manager at many points. When principals evaluate teaching performance, recognize good instruction with positive feedback, and coach teachers on using assessment data or managing the classroom, they are acting as both human capital managers and instructional leaders. Yet many public sector managers feel that private sector experience just does not apply. Private sector managers don’t live in a political fishbowl, have more objective ways to measure performance, don’t have a workforce with lifetime job tenure, and are less likely to have to deal with unions.

Although public education does have some major differences from the private sector, the basics of human capital management are the same for private sector middle managers and principals. Schools, just like law firms, hospitals, manufacturers, and information technology companies, have to recruit, retain, develop and motivate the people who make the organization perform. And while private sector managers often have more flexibility than principals, private sector middle managers rarely have the free hand that many imagine. For example, unionization has

declined substantially and labor contracts no longer constrain managers as much as they did thirty years ago, but the explosion of employment law has limited managers' flexibility in almost all HR areas. Legislation, court decisions, and state or federal guidelines now regulate hiring, performance evaluation, compensation, and benefits. And while unions have declined, even private sector organizations without unions have strong expectations for how middle managers treat employees so that unionization is not encouraged.

Of course, not all private sector organizations provide useful models. The school district work force is largely fixed by state and district tenure rules, union contracts, and the difficulty of finding large numbers of replacement workers in the local area. Organizations that treat workers as expendable are not good models. The best models are likely to be organizations that treat their work force as an asset to be developed, retained, and involved in productivity improvement efforts. We call these high human capital investment organizations. They have also been called "high involvement" organizations.

THE CONTEXT OF HUMAN CAPITAL MANAGEMENT IN HIGH HUMAN CAPITAL INVESTMENT ORGANIZATIONS

Over the last twenty-five years, in the best private companies, human capital management has come to be seen as a three-way partnership between the organizations' top leaders, the human resource management department, and the middle managers who deliver much of the management employees experience on a daily basis. The role of top management is to craft a vision for human capital management, continually communicate its importance, provide resources the other partners need, and hold both the human resources department and middle managers accountable for their roles. Middle managers and the HR department are then responsible for developing and implementing human capital management systems and practices that attract, develop, and retain employees who have the competencies needed to carry out the organization's strategies and attain its goals. As in most school districts, the human resource management department is responsible for setting policies and providing services. The difference tends to be that in the best companies, the HR department is expected to actively assist middle managers, rather than regulate them or process paperwork, and to provide them with tools and training to help them carry out their human capital management roles.

Middle managers' roles in this partnership vary with the size and degree of decentralization of the organization. In general, the trend has been toward greater decentralization in the private sector, with more human capital management decisions placed in the hands of middle managers, and HR department staff responsible for advising them and for managing systems where centralization allows economies of scale (e.g., screening applicants, administering pay). Where the HR department is well developed, it also provides important tools middle managers can use. For example, the HR departments at Kimberly-Clark and TRW developed electronic multidimensional performance evaluation tools that increased the involvement of professional staff in their evaluations and allowed managers to run the process more efficiently, as well as help employees set goals directly related to business objectives.² At Microsoft, the HR department worked with managers to develop a career model they can use to answer employee questions about career paths and the competencies needed to move up, as well as to assess

employee skills and suggest developmental activities likely to improve performance.³ A list of resources for learning about human capital management practices in these private sector organizations can be found in Appendix B.

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Figure 3.2

In such an environment, the HR department does more than simply issue regulations and process paperwork. It has mastered HR transactional basics, with well-organized and efficient processes for major services it provides to all organizational units, such as recruitment advertising, application processing, and payroll. It provides valued services to managers, including user-friendly tools to help managers carry out their human capital management responsibilities, consultation on specific problems (e.g., employee discipline, union grievances) and assistance in developing solutions for particular challenges (e.g., a recruitment plan for a specialized job). It provides efficient services to employees, typically using electronic systems to do things like explain the application of policies, allow employees to update personal information, and provide benefits counseling. In addition, it measures the efficiency and effectiveness of HR processes, including its own internal operations, using metrics such as:

- Average time to fill open positions
- Turnover by recruiting source and employee quality level
- Percentage of employee development plans completed
- Percentage of professional development courses offered that focus on key employee competencies
- Employee and supervisor perceptions of utility of professional development activities in developing key competencies
- Competitiveness of minimum, maximum, and average salaries in the labor market
- Value of benefits compared to labor market competitors

Increasingly, top HR departments also identify the competencies – knowledge, skills, and abilities- that employees need to carry out the organization’s strategy for success, and develop practices specifically designed to acquire, develop, and retain employees with these competencies. In some cases, HR departments outsource routine functions such as benefits counseling and application processing in order to concentrate on this strategic role.

THE MIDDLE MANAGER ROLES

While middle managers’ responsibilities involve the classic human resource functions of recruitment, hiring, performance evaluation, and training, it is also important to remember that middle managers’ human capital management work also includes everyday interactions with employees around the development and application of their human capital. These interactions include giving informal feedback and coaching on performance, recognizing good work, expressing support and encouragement, and helping employees solve problems. As mentioned above, middle managers are also important in the development and maintenance of organizational culture. The most forward-thinking private sector organizations want to promote a

culture that supports human capital development and employee engagement. This culture includes a shared conception of good performance, shared values about developing human capital, and sharing of expertise among employees.

Middle Manager Roles in Talent Acquisition

The talent acquisition partnership between middle managers and the HR department typically revolves around the manager as the “customer” for HR services such as recruitment advertising, application processing, and candidate pre-screening. As active partners, middle managers provide the HR department with a specification of the job requirements and the competencies they want in a new hire, features of the job that can serve as “selling points,” and potential sources of applicants. They also provide feedback on the quality of the candidates produced by the recruitment effort. Middle managers also often participate in job fairs and campus recruitment visits. Middle manager participation in these activities is particularly important because research has shown that potential job applicants consider them far more credible as representatives of the organization than HR staff. Many of the best applicants are likely to want to get a sense of the organization’s direction and the quality of its managers. Savvy middle managers also go beyond the partnership to develop their own sources of applicants, especially for highly specialized jobs or those with shortages of applicants. They use current employees as sources of information about where to find promising job candidates, and they encourage employees to refer people with promise. They develop networks within and outside the organization to keep informed about people with the potential they might need.

While the HR department will often help middle managers develop and apply selection tools, such as tests or structured interviews, to help winnow down the applicant pool, middle managers almost always have a decisive voice in who is hired, based on a job interview. Research has shown that the interview can vary considerably in its effectiveness in identifying which employees are likely to be good performers if hired. One way private sector companies are trying to help make the interview more effective is to have the HR department and middle managers work together to develop competency models that can be used to guide the information collected by managers in interviews. At the Texas Children’s Hospital, for example, managers use nine separate interview processes, based on nine job family competency models. These models identify the key skills needed in each job family and the key actions employees must be able to perform to contribute to organizational success. Managers are then trained in a systematic behaviorally-based interview process keyed to the competency model for each job.⁴

Another way companies have tried to improve the interview is to involve members of the work group the new hire will be joining in the process. While the middle manager usually has the final say, adding co-workers provides more ears and eyes to pick up the information provided by the candidate, and it also lessens the effect of one person’s (possibly biased) viewpoint. Companies such as Amazon.com, Whole Foods, and IBM use peer interviews to get a more complete view of potential hires and to give current employees a stake in the success of the new hire they helped make.⁵

Beyond interviewing candidates, middle managers also help the applicant make the right decision by providing realistic information about job requirements, working conditions, performance expectations, and organizational culture. This information helps applicants assess

their “fit” with the job and the organization. This can reduce turnover of disappointed new hires down the road. Middle managers also help “close the deal” when a job offer is made, by being able to answer questions about initial work assignments, conveying a sense of the mission of the organization, and expressing enthusiasm for the new hire. Middle managers can help ensure the desired job candidate accepts the job offer by communicating about the organizational mission, vision, and culture, and describing the “employee value proposition”: the set of characteristics that make a company a more attractive employer than all the rest. This helps a talented person understand why he or she would want to join and stay with the organization. Elements of the value proposition might include training or mentoring opportunities, the quality of the rest of the team, or career advancement opportunities, as well as pay and benefits.

After the hire is made, the middle manager’s next responsibility is to help the new employee move smoothly into the organization. While many organizations have company-wide orientation programs that cover the basics (ranging from benefits and work rules to company history and culture), after the formal sessions it is typically up to middle managers to complete the process. Organizations are realizing that while “socialization happens” through a variety of interactions the new employee has with managers and co-workers, actively managing the process is likely to have more positive impacts on new hire retention and development. Middle managers contribute to socialization by introducing new employees to their specific jobs and work units, communicating performance expectations, and providing training, and through more subtle influences like providing emotional support, identifying peer role models and mentors and providing opportunities to work with and learn from high performing co-workers. Because co-workers are important influences on socialization, matching the new hire with the right co-worker mentor is a key contribution middle managers can make. Another key contribution is to continue active involvement with the new hire throughout the probationary period. A developmental plan with sequenced performance milestones for each new hire will both ease the learning curve and provide information on the employees’ potential as a long-term human capital investment.

Middle Managers and Talent Development

Many leading private sector organizations have integrated their thinking about middle managers’ roles in developing employee human capital under the heading of “performance management.” Performance management includes all activities that support maximizing the performance of employees toward organizational goals, including the classic functions of performance appraisal and training and development, emphasizing the use of a planned cycle of performance assessment and improvement, frequent performance feedback, coaching, and collaboration with employees to identify barriers to better performance.

The first step in the performance management process is planning and goal setting. Typically this requires middle managers to work with employees to translate the organization’s objectives and strategies into individual employee performance goals. Human capital-intensive organizations have found that goals should be a mix of specific, objectively measurable outcomes, goals for behaviors, and goals for learning and development. One current approach to goal setting emphasizes setting individual employee goals that contribute to team or unit goals, which are in turn linked to the goals of the wider organization. In this way, strategic goals cascade down from one level to the next in order to align effort. Middle managers build goal commitment by

communicating the rationale for goals –how achieving the employee’s goals makes a difference -
-and soliciting employee input on what supports are needed to achieve them.⁶

The next step is to assess progress toward the goals. This does not mean simply making a review of performance once each year. One critical difference between performance *management* and performance *evaluation* is that managers make frequent, informal assessments of progress and provide feedback before the annual evaluation meeting. After making these assessments, managers provide coaching and suggestions for how to improve performance, and they listen to employees’ concerns about roadblocks and challenges.

When it comes time to formally assess performance, in most organizations, middle managers use a performance appraisal system designed in cooperation with the human resource management department. However, companies have found that the evaluation instrument is not the biggest issue – it is how the instrument is used that matters. This includes the feedback and coaching provided and the fairness of the process. Therefore, expectations for middle managers increasingly are oriented toward using performance appraisal to help employees improve as well as to provide input into decisions on employee retention, pay increases, and promotions. As in public education, employees in private firms are naturally concerned about subjectivity and bias in performance evaluations. Companies are concerned as well. One way to develop consistency, used by Capital One and Intel, is the “cross calibration” meeting during which managers discuss their ratings and the reasons behind them with their peers. This helps to develop a common understanding of good performance, promotes a more consistent use of the rating scale, controls rating inflation, and discourages idiosyncratic rating decisions⁷.

Though many organizations have a centralized training and development department, middle managers typically have an important role in identifying employee training needs, working with employees to develop training plans, providing feedback on how training is being applied on the job, and coaching in the application of new skills. Middle managers also link employees with mentors and provide assignments in which employees can develop their skills. In organizations that emphasize human capital development, middle managers do these things as part of an annual performance management cycle and as part of longer-term efforts to develop employees for future assignments. This may even include encouraging employees to rotate outside their units to gain needed experience.

Middle managers also contribute to talent development by helping to build a culture that respects expertise, encourages its development, and promotes knowledge sharing. Middle managers build this kind of culture by emphasizing the importance of developing and sharing expertise during new hire socialization, providing opportunities for team work around common problems that require developing and sharing knowledge, recognizing, respecting, and celebrating the development and sharing of expertise, and encouraging informal communities of practice by providing time and technology for employees to interact. It also helps to set an example by being open to and seeking new knowledge.

Middle Managers and Talent Retention

Many private sector organizations think about retention in terms of a “total rewards” framework that includes not only pay and benefits, but also recognition, learning and development, work

environment, and work/life balance. These organizations recognize that while pay and benefits are important influences on retention, highly talented individuals require more than high compensation to keep them engaged in the organization's work. A considerable amount of research has shown that managers have an important role in talent retention. Key middle manager influences on retention include recognition of employee contributions, attention to working conditions, and a culture of engagement.

Middle managers in the private sector typically use pay raises (usually made in adherence to policies and budgets set at higher levels of the organization) as one recognition tool. But the recognition they can provide to employees during day-to-day interactions is likely to be just as important in retention. These everyday recognition tools range from simple "thank you" and "good job" statements to access to training opportunities or plum assignments. The key is to provide these recognitions consciously and based on an understanding of what particular individuals value. Another increasingly popular recognition method is the celebration of successes, especially team or group successes.

It has long been known that working conditions are an important influence on retention. In K-12 education, working conditions are gaining increased recognition as a retention factor.⁸ To improve retention, private sector middle managers are expected to take action to address work environment problems employees identify as well as to be proactive, identifying problem areas before they have a chance to fester. Managers are encouraged to recognize that many working conditions issues are also productivity issues, since conditions that make work more difficult or unpleasant often take time and attention away from productive activities. It is thus common to find attention to basic working conditions issues as part of quality and productivity improvement initiatives. For example, in GE's "workout" process, employees can raise concerns about working conditions, and managers are expected to address them⁹. Companies concerned with retaining talent also recognize that the conduct of middle managers themselves is an important aspect of working conditions as experienced by employees. By acting with fairness, treating employees with respect, maintaining lines of communication, providing constructive feedback, and taking employees' goals and needs into account, managers can become a positive feature of the work environment. Therefore, companies concerned with talent retention include positive treatment of employees in their management training programs, and hold managers accountable by using tools like employee surveys and 360-degree feedback.

Middle managers also contribute to retention by helping to develop a culture of employee engagement. Concern with engagement has replaced job satisfaction as a focus for retention efforts, because engaged employees do not just continue to show up, but expend their best effort on the job and maintain a connection to the organization in the face of challenges. Middle managers influence engagement in many ways. Most of these are common sense: communication that keeps employees "in the loop," recognizing good work, providing clear expectations and constructive feedback, showing how the work contributes to organizational goals, and involving employees in decisions that directly affect them. It is also important that managers accept and act on feedback *from* employees, make an effort to understand what is important to them, and find out what would keep them before the need for an exit interview. High performers, the employees organizations most want to retain, are likely to be especially responsive to recognition and challenging work, and react negatively to job assignments that do

not utilize their talents. Providing opportunities to work on challenging projects that develop skills and redesigning jobs to eliminate busywork and bureaucracy are ways in which middle managers have tried to improve the engagement of high performers.

Given the importance of engagement, companies as varied in as Abbott Laboratories, American Express, Washington Mutual Insurance, SYSCO Foods, and Yum Brands (the parent of Pizza Hut, Taco Bell, and KFC) all survey employees regularly to track attitudes related to engagement.¹⁰ Survey results are provided to middle managers, and they are expected to act on them.

Putting the Roles Together: Expectations and Accountability, Training, and Tools

Some middle managers in almost any private organization are carrying out some of the human capital management roles highlighted above. What the best companies do is to combine strong organization-wide *expectations* for middle managers to be effective human capital managers with *training* in human capital management, and with *tools* such as electronic recruitment and screening systems, talent inventories, and performance management systems. In these organizations, middle managers are held accountable for meeting human capital management expectations as part of their own performance evaluations. Bonuses and promotions are based in part on the manager's record of effective human capital management. For example, at Sears, 25 percent of middle managers' pay bonuses are based on measures related to employee engagement and human capital management, including employee surveys.¹¹ Performance reviews for higher-level managers at GE and McDonalds even include an assessment of how they develop their middle managers.¹²

HOW DISTRICTS CAN HELP PRINCIPALS DEVELOP AS HUMAN CAPITAL MANAGERS

Some principals in some school districts also carry out the roles performed by middle managers in private firms, and do it with success. School districts have also begun to develop some of the tools needed to support principals. For example, more sophisticated teacher induction programs that provide specific models for developing expertise and mentors are being used to support principals' socialization efforts in many districts. Several leading edge districts, including Clark County (Las Vegas), Nevada, and Fairfax County, Virginia, have developed strong recruitment programs that involve principals as well as providing them with a timely stream of candidates for teaching jobs. It is not yet common, however, for district leaders to hold principals accountable for human capital management the way high human capital investment companies hold middle managers accountable. Putting these elements together – expectations, accountability, training, and tools - is the step leading-edge districts will want to take to increase the effectiveness of the human capital management efforts of their principals and other district leaders.

There are a number of concrete ways that school districts can help principals become better human capital managers. Many examples from private companies are directly transferable to school district practices. Below, we summarize seven important steps we think districts should take.

1. Communicate clear expectations about the importance of human capital management.

For a policy or practice to take hold in any organization, top leaders need to signal their support and demonstrate long-term commitment. Principals get their cues about district expectations not just from policy adoptions and budget allocations, but also from patterns of actions and behaviors of top leaders. District leaders need to clearly communicate the importance of the principal's role as human capital manager and take advantage of opportunities such as district wide events, newsletters, and websites to reinforce the message and recognize effective practices. Further, they can dedicate resources to train principals and other district leaders in effective human capital management functions like recruitment, selection, induction, development, and performance management.

The Chicago Public Schools (CPS) has placed human capital management at the top of its educational improvement strategy. The district has had a Human Capital Initiative as one of three core district strategies since 2001. The strategy has helped focus the district on developing systems for teacher and principal recruitment, induction and early development, retention and talent management. Although the CPS Human Capital Initiative encompasses more than the principals' human capital management function, it demonstrates how a district can develop and sustain a strong focus on the importance of human capital to drive the organizations' effectiveness.

To drive home importance, human capital management outcomes need to be measured at the school level. Districts should use a combination of staff surveys, exit surveys, turnover rates and professional development program participation, reviews of performance feedback principals provide to staff, and observations of principal-staff interactions to develop a picture of how well human capital is being managed at schools.

Districts can also show principals how time devoted to human capital management is a valuable investment. For example, by identifying teaching openings early and initiating the recruitment processes sooner, principals can access the top teaching talent entering the job market and avoid playing staffing catch-up at the start of the school year. Similarly, investments in training and induction, mentoring, and performance management of probationary teachers can be shown to result in a stronger staff, requiring less remediation later and avoiding the time-consuming process of trying to remove a marginal tenured teacher. If a district develops school-level human capital metrics, it can show how more effective school-level human capital management can lead to lower turnover, less absenteeism, more teacher growth and, ultimately, higher student achievement. This will help convince principals that the investment of time in human capital management up front will result in less time devoted to remediating problems later on. It will allow principals to spend more time helping average performers become high performers, which is both more rewarding for principals and a necessity for teaching all children to high standards.

2. Develop a best human capital practices model for principals.

A next step includes establishing a model of best practices in human capital management by principals, illustrated with clear behavioral descriptions. The model should include the main dimensions of human capital management -- recruitment, selection, induction, mentoring, and performance management -- and the less tangible, but highly important, aspects of school climate

and working conditions. These last two are important ways that principals can impact the instructional program and student achievement outcomes as well as teacher retention.¹³ Examples can be developed from hypothetical vignettes, practices of strong principal human capital management within the district, and research-based case studies. Principals can use the model to self assess how well their current practice meets district expectations. The model can guide training and development programs and be used as a basis for performance evaluation discussions as discussed under point 5 below.

3. Select and train principals for human capital management competencies.

Because principals play such a central role in acquiring, developing, and retaining effective teachers, human capital management skills should be a key consideration in recruitment and selection of new principals. When assessing principal candidates, selection committees can look for examples of leadership activities the candidates demonstrated as teachers for indications of potential (e.g., how a teacher helped another develop). Selection criteria can be developed from the district's human capital management competency model. A candidate could also be asked to respond to a vignette where these skills would be applied and participate in a mock teacher evaluation/feedback session. During the selection process, the district can reinforce the expectations for human capital management as a key part of the principals' responsibilities. Some likely competencies hiring teams might consider are:

Figure 3.3

- Ability to analyze school goals and translate them into what staff need to know and be able to do
- Knowledge of what good teaching looks like, how to assess it and talk about it
- Understanding the principles of effective recruitment and selection
- Ability to provide specific, honest, and useful feedback about job performance
- Understanding how to coach and motivate people to improve performance
- Ability to understand and respond to the different developmental needs and interests of teachers based on their performance and their stage of career
- Ability to learn about and understand individual staff members' interests, concerns, and values
- Ability to share leadership and decision making
- Ability to assess and act to improve school working conditions
- Knowledge of the basic principles of employment law and labor relations
- The ability to analyze data and metrics and use them to drive improvement.

An important question is whether districts can rely on traditional university-based principal preparation programs to build these competencies. Darling-Hammond and her colleagues¹⁴ recently described exemplary university programs. Common to these programs is a sharp focus on instructional leadership and supporting teacher development. This supports what we have called performance management, via training in conducting classroom observations, including

walkthroughs, providing feedback and coaching, and creating collaborative learning opportunities for teachers. But broader coverage of human capital management may be needed. In particular, programs need to add hands-on activities for identifying the teacher competencies that are needed to make specific strategies for improving student learning, ways to recruit teachers likely to have these competencies, and ways to select candidates who best fit the school's needs. A well-designed preparation program that focused on human capital development and management would also introduce principals to the idea of an employee value proposition and the role of the principal in engaging teachers in the work of the school. Other topics might include:

- Understanding the shifting demographics of new entrants to teaching, and how to serve those interested in traditional careers, those unlikely to spend their entire career in teaching, and the increasing number of career changers
- Understanding the needs of new teachers and how to build induction supports at the school level
- How to think about professional development strategically, combining teacher-directed growth that promotes engagement with building the competencies needed to support school improvement plans
- Understanding the importance of the tenure decision and developing a thoughtful and thorough process for assessing teachers for tenure

Districts can take an active role in influencing pre-service principal training programs to emphasize human capital management. They need to communicate their requirements to colleges and universities. Another option is to develop in-house “grow your own” programs geared toward district needs. Several districts have developed alternative principal training programs that result in state-approved credentialing, in partnership with area universities. It would be relatively easy to add coverage of human capital management competencies to such programs. Both of these options could allow districts to substantially increase the probability that the pool of potential principals has the human capital management competencies we advocate. Another option is to contract with external organizations such as New Leaders for New Schools to help recruit, select, and train principals who can demonstrate these competencies.

4. Evaluate and reward principals for effectiveness as human capital managers.

Performance management systems for principals should also include a human capital management focus. District principal performance evaluation systems should include human capital management competencies, developed based on the best practices model referenced above. In addition to other important leadership competencies, principals' performance goals should include developing human capital management competencies and goals for school human capital attraction, retention, and development. Information such as examples of teacher selection instruments, induction and professional development programs, and teacher evaluations with related instructional feedback can be collected to assess competencies. In addition, school climate surveys and staff turnover analyses can also be incorporated. The turnover analyses might assess how many teachers are leaving schools, who is leaving, and why they are leaving. To effectively monitor and provide feedback to principals, principal supervisors would also likely need training in these areas.

Districts might also consider performance pay systems for principals that include developing human capital management competencies and meeting school human capital goals. Finally, districts need to respond to developmental needs identified during the performance management cycle. Those principals who need training in human capital management should have access to high-quality training programs and then be monitored on how well they translate their learning into practice. All principals should be periodically retrained.

Figure 3.4

To measure how well principals are fulfilling the role of human capital manager, districts might want to consider developing a variety of indicators to represent the success of their efforts. These could include both implementation of processes and specific human capital quality indicators. Some examples might be:

Process Indicators

- Percent of teachers hired after school year begins
- Percent of teachers evaluated as required by district policy
- Percent of teachers with completed professional development plans
- Average number of times per year teachers are observed in their classrooms

Outcome Indicators

- Teacher turnover, including turnover by performance level, experience level, and teaching specialty
- Teacher absenteeism
- Staff responses to school climate surveys

Quality Indicators

- Quality of performance evaluation feedback provided to teachers by principal
- Alignment between area identified for improvement in evaluations and teacher professional development plans
- Number of teachers from school promoted to teacher leader jobs at other schools or assistant principals promoted to principal
- Percent of teachers tenured by principal who turn out to have performance problems in the next 5 years.

Creating these indicators will require districts to improve their data systems. In many districts, human resource information systems will need to be upgraded to allow easier tracking of teachers across years, and to include elements like results of evaluations and when they were done.

Once these measures are in place, those who supervise principals need to use them as part of their efforts to manage *principal* human capital. Supervisors of principals need to set goals for improving school human capital indicators, provide feedback to principals on their performance, and coach them or identify opportunities to improve human capital management skills. This

requires that these supervisors themselves learn more about effective human capital management and that the district communicate, from the top down, that human capital management is a priority. In addition, supervisors of principals and the HR department need to work more closely together to ensure that principals have the needed skills and advise them on handling human capital management problems.

5. Review district policies and practices at the high leverage points for school human capital management.

Principals are key players at three high leverage points for building an effective faculty: teacher hiring, the tenure decision, and professional development. Districts need to make sure their policies support sound principal decision-making at these points.

To apply leverage at the point of selecting the best teachers from the candidate pool, principals need flexibility and support. For example, recent studies have highlighted the difficulties district policies and contract provisions relating to voluntary transfers, excess requirements, and late hiring practices pose for principals seeking to staff their schools on time and with the best teachers.¹⁵ There should be a critical examination of current district requirements and labor contract provisions that may limit principal flexibility in hiring teachers who would best fit the school's instructional needs. While some contract changes may be needed, it may be possible to work within current restraints to create more flexibility. For example, some districts may offer incentives, such as a bonus or conversion of sick leave, to teachers considering retirement to make their intention known early in the year. Principals then would be able to announce openings earlier and work to fill them before the end of the school year.

The tenure process should also be examined. This is one of the points of greatest leverage for managing teacher human capital, because in most places districts have the flexibility to make a sound decision if they invest the time in doing so, and because a poor decision is very expensive to remedy. The period before a teacher is tenured should be treated as the final stage in the hiring process. During this period, the principal has an opportunity to see many valid samples of teacher performance. Districts should focus evaluation resources here, ensuring that probationary teachers' performance is assessed completely and often. Districts that grant tenure "automatically" unless the principal objects should consider requiring positive evidence of good performance as grounds for an explicit and considered decision.

District budgeting, staff allocation, and professional development policies may also be limiting principals' effectiveness in developing teachers. For example, current thinking on professional development suggests that a mix of job-embedded, team-based learning and outside courses may be most effective. Principals may need more flexibility in their professional development budgets, and in the time allotted for school, versus district, professional development priorities, and in the time for teachers to work together on developing and implementing school-based professional development. Principals may also need budgeting and position-allocation flexibility to create and fund teacher-leader roles such as professional development coordinator, grade or subject team leader, and instructional coach who can provide job-embedded professional development and allow good teachers to take on the challenging assignments that keep them engaged.

6. Find ways to free up principals' time and energy for effective human capital management.

Due to tradition, training and the increasing expectations added to their jobs, many principals don't spend much time on human resource management issues, much less on thinking about a human capital management strategy for their school. Principals are expected to be the school's foremost instructional leader, accountability expert, facility manager, community relations specialist and disciplinarian. When principals do focus on human resources, they may spend 80 percent of this time dealing with administrative procedures or with the lowest performers. Emphasizing to principals the importance of human capital management is not enough. Holding them accountable without helping to enable them to carry out the roles is unfair and unlikely to be effective. Districts must also take concrete steps to support principals in this role. Here are a few possibilities.

Provide administrative support. A growing number of school districts have provided principals with school-based administrative managers to deal with finances, facilities, and routine HR functions.¹⁶ This option can help principals free up time to focus on key human capital management and instructional leadership responsibilities.

Develop and fund teacher leaders to assist with school instructional leadership. Content area coaches, lead mentors, and curriculum coordinators are just a few of the formal teacher leadership roles that can be supported through district budget allocations. Successful principals also cultivate informal teacher leadership within their schools and collaborate with teacher leaders on multiple tasks. Distributed leadership across tasks and people can create the expectation for teachers to participate beyond their classes in roles and initiatives important for school success. A culture of high involvement and collaboration can be a key outcome that also has carryover benefits for job satisfaction and teacher retention.

Offload responsibility for marginal performers. In the same way that administrative managers can be used to free up principal time for higher-value activities, central office specialists can be used to managing the remediation and potential termination of non-performers.

Review and streamline district administrative policies that tie up principal time and effort. Administrative policies designed to hold principals accountable can also tie them up. For example, in one urban district, principals are required to audit weekly payrolls, requiring them to spend every Friday afternoon doing clerical work. In another, financial management is emphasized to such a degree that principals believe this is their number one priority. These policies need to be examined, streamlined, and the administrative work delegated to free up time for instructional and human capital leadership.

7. Ensure that the HR Department is an effective partner.

Along with examining current administrative policies and labor contracts, districts should also examine the effectiveness of their HR departments in meeting school leaders' needs. Too often, district human resource departments are seen as a paper shuffling operation rather than a key partner in the districts' educational improvement strategy.¹⁷ When district human resource

offices live up to the low expectations held for them or embrace the role of regulator, they present barriers to effective human capital management at the school level.

Some districts have actively worked to restructure the district HR department to provide flexibility to principals to carry out their human capital management roles. They have replaced human resources staff that lack capacity, then reorganized and retrained staff to have a service orientation.¹⁸ Some districts have appointed specific HR staff to certain schools so those principals have one point person for inquiries and assistance. HR can be a critical partner in the success of schools in meeting hiring and training needs. To that end, HR can develop performance indicators for their effectiveness that includes principal satisfaction as one measure. Other performance metrics can be developed to measure progress in the HR function and identify areas needing focus. These include benchmarks for staffing schools, turn-around times for principal requests for assistance, and measures of overall staff satisfaction with district HR transactions.¹⁹ These measures can then drive further efficiencies in HR operations and provide the basis for performance management of district HR staff.

Finally, many districts have taken the step of updating antiquated staffing, payroll and benefits information systems with integrated human resource information systems. These changes require considerable training of HR staff and users of the system, but ultimately put many functions that required paper forms and processing by different units under one “roof” and directly accessible by school level staff. The next step, also being undertaken by some districts, is to link human resource information systems with teacher specific outcomes, such as value-added achievement data. The combined systems create the potential for strategic planning and evaluation of the effectiveness of school improvement initiatives, professional development programs, or even individual teaching practices.

Considering these seven steps and the illustrations of innovations from the private practice, may yield insights into how leaders of our human capital-intensive educational systems can strengthen the role of principals as human capital managers. These seven steps will not generate quick solutions to the challenges facing schools and districts in staffing and supporting quality teachers and principals. They will, however, help districts begin to address gaps or roadblocks to effective human capital management in schools.

The research clearly tells us that there is nothing more important for children's academic success than their teachers. Yet human capital management in public education is at a nascent stage of development. There is much the sector can learn from other knowledge and service sectors that understand that people are their primary competitive advantage and that managers' most important work is to support and manage people. There are promising early examples of this work being taken up by school districts in ways that build the potential of principals to lead this work and provide them necessary support. Public education needs to expand this early work and reframe the principalship to make the cultivation and management of talent as a top priority.