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THE DEFENSE CIVILIAN WORKFORCE—TRANSFORMATIONAL CHANGES

by

Karen Stephenson-Tetu
Department of Army Civilian

COL Paul M. Brady
Project Advisor

U.S. Army War College
CARLISLE BARRACKS, PENNSYLVANIA 17013

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ABSTRACT

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Today, the DOD and Army civilian workforce is facing complex transformational change. As a result, skepticism and, perhaps, fear may begin to appear to dominate the DOD civilian workforce's thinking as the pace and complexity of the changes move forward. Complex transformational change is very difficult. As Secretary Rumsfeld stated in a September 2001 speech, "Change is hard. It's hard for some to bear, and it's hard for all of us to achieve." Some speculate that these changes will transform the civilian system, structures and business processes to provide an agile, flexible and innovative civilian workforce and free up resources. Others see the changes creating chaos and an unmanageable state of affairs that brings neither reform nor resources.

Using a change management lens of process and communication, this paper will examine the Defense leadership's current and proposed initiatives affecting the Defense civilian workforce to determine whether the transformational changes will be successful. Success is defined as a change process so motivationally powerful that it can overcome bureaucratic inertia and gain a true commitment from the workforce to make the changes work.

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> To date, major change efforts have helped some organizations adapt significantly to shifting conditions, have improved the competitive standing of others, and have positioned a few for a far better future. But in too many situations the improvements have been disappointing and the carnage has been appalling, with wasted resources and burned-out scared, or frustrated employees.
>
> —John P. Kotter

Change. For some, the term generates fear and threats, but to others it connotes adventure and opportunity. The terrorist events of September 11, 2001 signaled far-reaching change for the United States, its people and its institutions. For example, the terrorist events highlighted some of the failings of the federal government bureaucracy, exposing weaknesses in both the personnel side and organization of government. These weaknesses, in turn, were further exposed and debated during President Bush's dealings with Congress to pass legislation establishing the Department of Homeland Security (DHS). Now, with the newly established DHS and President Bush's call for "management flexibility", there is a mandate for new ways of managing the civilian workforce, both organizationally and within the personnel system itself. That mandate flows from the President to the Secretary of Defense and to the Secretary of the Army. Secretary of Defense Donald Rumsfeld talks about the need for change: "It's really about the security of the United States of America. …Our job is defending America, and if we cannot change the way we do business, then we cannot do our job well, and we must."[1]

Today, the Department of Defense (DOD) and Army civilian workforce is facing complex transformational change. As a result, skepticism and, perhaps, fear may begin to appear to dominate the DOD civilian workforce's thinking as the pace and complexity of the changes move forward. Complex transformational change is very difficult. As Secretary Rumsfeld stated in a September 2001 speech, "Change is hard. It's hard for some to bear, and it's hard for all of us to achieve."[2] Some speculate that these changes will transform the civilian system, structures and business processes to provide an agile, flexible and innovative civilian workforce and free up resources. Others see the changes creating chaos and an unmanageable state of affairs that brings neither reform nor resources.

Using a change management lens of process and communication, this paper will examine the Defense leadership's current and proposed initiatives affecting the civilian workforce to determine whether the transformational changes will be successful. Success is defined as a

change process so motivationally powerful that it can overcome bureaucratic inertia and gain a true commitment from the workforce to make the changes work.

CHANGE MANGEMENT THEORY

Before analyzing the changes to the Defense civilian workforce, one must first understand basic concepts of change management. Organizations are continually undergoing change as leaders search for more efficient and effective ways to accomplish the mission. Most organizational changes occur on the margins, with minimal modifications to systems, processes, and the way in which people accomplish their work. In order to make major transformational changes in an organization's structure, processes and culture, the leader must move the organization beyond the normal operating paradigm and into uncharted territory.[3] However, in this uncharted territory lies fear of the unknown. People resist anything other than the marginal changes and prefer to stay in their comfort zones. Even if change is required and needed, people can stall a leader's push for change because of "inward focused cultures, paralyzing bureaucracy, parochial politics, a low level of trust, lack of teamwork, arrogant attitudes, and a lack of leadership in middle management."[4] All organizations are a reflection of the people who work there—the people are the mind and spirit of the organization. Amazingly, many leaders overlook that people have their own will, their own mind, and their own way of thinking. If a leader can influence his people to have a shared vision, a shared culture and strength of belief in the organization, then he can induce them to produce harmonious behavior.[5] In Leading Change, John Kotter argues that transformational change requires "sacrifice, dedication, and creativity, none of which come with coercion…the much bigger challenge comes with leading change. Only leadership can blast through the many sources of corporate inertia. Only leadership can motivate the actions needed to alter behavior in any significant way. Only leadership can get change to stick by anchoring it in the very culture of an organization. [6]

In addition to strong leadership, another organizational change theory proposes that planned organizational change must contain the following four interrelated components: "a) a change intervention that alters b) key organizational target variables that impact c) individual organizational members and their job behaviors resulting in d) changes in organizational outcomes."[7] This theory argues that a change intervention is a planned change instigated to help the organization become more effective and efficient. If a change intervention is transformational, then its target (organizational target variables) is to create a new vision for the organization and a new work setting composed of structures, systems and culture. If the change interventions are effective, then they will lead to cognitive "change in organizational

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members and concomitant radical changes in their behaviors.[8] On-the-job behavior will change and organizational transformation will occur over the long term.

An essential factor in change management theory is the need to alter people's behavior, which is based on cognitive perceptions. Peter Senge calls these perceptions "mental models" or an individual's internal picture of how the world works which, in turn, governs the way people behave.[9] "Paradigm" is another common term to describe these cognitive perceptions. So, how does one change these mental models or paradigms? Peter Senge suggests that because mental models exist below the level of consciousness, the only way to change them is to bring them to the forefront of awareness. At this level individuals can examine them, discover internal contradictions in their assumptions, and think through new strategies based on new assumptions.[10] This strategy requires a commitment by the leadership. Other theory suggests that organizational behaviors (based on individual paradigms) are a reaction by individuals to their work setting and the organizational vision.[11] Therefore, to change the behavior, one must change the work setting and the organizational vision.

The answer to successful organizational transformational lies in strong leadership establishing a shared vision, leading to a redefined and shared culture based on a changed work setting and supported by individual changed behavior. These principles will be discussed in the analysis of the Defense leadership's changes affecting the system and organizations of the civilian workforce.

EXECUTIVE CONCERNS AND THE PRESIDENT'S AGENDA

Even before the events of September 11, 2001, something else had been happening in the realm of civilian personnel system and organizational reform. The Bush administration arrived in office expressing a concern about the state of the federal workforce and the viability of the federal government. On the campaign trail, Governor Bush called for

> …a Government that thinks differently, so we need to recruit talented and imaginative people to public service…We'll establish a meaningful system to measure performance. Create awards for employees who surpass expectations. Tie pay increases to results. With a system of rewards and accountability, we can promote a culture of achievement throughout the Federal Government…Government should be market-based—we should not be afraid of competition, innovation, and choice. I will open government to the discipline of competition.[12]

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The two-pronged approach, later seen in the DOD's Quadrennial Defense Review (QDR), was quite evident in the President's language. The President called for a change in civilian personnel management as well as in the structure of federal organizations. He also indicated a shift to competitive outsourcing. Once the election was over, the stage was set for change. In August 2001, the President launched a management reform program entitled, "The President's Management Agenda." The Agenda focuses on government reform and contains five government-wide goals to improve federal management. Two of the five goals apply specifically to the civilian workforce-- Strategic Management of Human Capital and Competitive Sourcing.

STRATEGIC MANAGEMENT OF HUMAN CAPITAL

This segment of the President's Agenda spells out several major issues facing the federal civilian workforce. It recognizes that the workforce is aging, with the average age rising from 42 years to 46 years. Because of the reduction of the federal workforce since 1993, the influx of new people with new ideas, knowledge and energy has been reduced. In addition, over the last 10 years, the number of supervisors has steadily increased, creating more layers and a top heavy bureaucracy. There has been no revolution in the federal workforce to mirror private sector gains. Human resources planning remains weak and will be exacerbated with the looming retirement wave of the baby boom generation over the next five years. "Excellence goes unrewarded; mediocre performance carries few consequences; and it takes months to remove even the poorest performers."[13] In fact, according to the Office of Personnel Management, it takes at least 5 to 6 months to dismiss a federal employee.[14]

The bottom line, according to the document, is that action is required. Specific initiatives include:

- Making the government citizen-centered. Layers of government must be compressed. Each agency is required to prepare a five-year plan for restructuring.
- Information technology systems will be developed to capture knowledge and skills of retiring employees.
- Agencies must make better use of the flexibilities currently in place to acquire and develop talent and leadership. (The administration will seek civil service reforms.)
- Agencies will determine their "core competencies" and decide whether to build internal capacity, or contract for services from the private sector in order to maximize the ability to get the job done effectively and efficiently.

COMPETITIVE SOURCING

This segment of the Agenda advocates that nearly half of all federal employees perform tasks that are available in the private sector. Its statistics reflect that where there has been private sector competition, the government realized cost savings in the range of 20% to 50%. But the process of estimating in-house performance to private sector performance is seen as a contentious and rigid exercise. Thus, the Agenda sets forth initiatives that--

- Agencies will abide by the Federal Activities Inventory Reform (FAIR) Act to inventory non-core activities (those jobs that are commercial in nature and could be performed by contractors.)
- The 2002 goal of completing public-private or direct conversion competitions is not less than 5% listed on the FAIR Act inventories, increasing to 10% by 2003.
- The Administration will pursue administrative and legislative actions to incorporate full costs of work into the budget process.[15]

The new Administration set the agenda to move forward to reform the civilian workforce system and its organizations

DEPARTMENT OF DEFENSE (DOD) INITIATIVES

Change: unpredictable, unrelenting, ubiquitous, surprising change. Full of promise and opportunity for those willing to embrace it, but so frightening to the rest of us."[16]

—William Pasmore

Change and new ways of doing business are nothing new for DOD and Army civilians. Since 1991, change has been a constant. DOD and Army civilian personnel have seen the fall of the Soviet Union and a call for the "peace dividend". This "call" resulted in Congress approving and DOD implementing the closure of numerous military bases. A downsized Army civilian and military workforce of 45% and 38% respectively, followed base closures. The Army leadership in Europe began enforcing the 5-year rotational plan for civilians. Privatization, outsourcing and A76 studies were and have become common actions as the installation level. The changes seen in the 1990s were small, incremental changes. But, change can vary in complexity, from introducing relatively simple changes to major transformations of the organization and business processes. Today, the changes faced by the Defense workforce are complex and transformational

Secretary Rumsfeld embraced the President's Management Agenda using his own terms. He established a vision supported by guidelines that dovetail with those in the Management Agenda. On September 10, 2001, during a speech, Secretary Rumsfeld declared War, but on this day the War was on Bureaucracy:

> The topic today is an adversary that poses a threat, a serious threat, to the security of the United States of American.... Perhaps this adversary sounds like the former Soviet Union, but that enemy is gone.... This adversary's closer to home. **It's the Pentagon bureaucracy. Not the people, but the processes. Not the civilians, but the systems**... Our challenge is to transform not just the way we deter and defend, but the way we conduct our daily business. Let's make no mistake: The modernization of the Department of Defense is a matter of some urgency. In fact, it could be said that it's a matter of life and death, ultimately, every American's.[17]

The Secretary spoke using business terms—processes and systems—as he proclaims his "War". To build support for his "war on bureaucracy" he cloaks it in national security terms.

> That's why we are here today challenging us all to wage an all-out campaign to shift the Pentagon's resources from bureaucracy to the battlefield, from tail to the tooth...Above all, the shift from bureaucracy to the battlefield is a matter of national security... .The world has (changed)—and we have not yet changed sufficiently. The clearest and most important transformation is from a bipolar Cold War world where threats were visible and predictable, to one in which they arise from multiple sources, most of which are difficult to anticipate, and many of which are impossible even to know today.[18]

As his argument progressed, Secretary Rumsfeld turned his logic back to the business world to garner support.

> All this costs money. It costs more than we have. It demands agility—more than today's bureaucracy allows. And that means we must recognize another transformation: the revolution in management, technology and business practices. Successful modern businesses are leaner and less hierarchical than every before. They reward innovation and they share information. They have to be nimble in the face of rapid change or they die. Business enterprises die if they fail to adapt, and the fact that they can fail and die is what provides the incentive to survive. But governments can't die, so we need to find other incentives for bureaucracy to adapt and improve.[19]

Secretary Rumsfeld spoke about the need for the DOD organization to be not only efficient but also flexible. As a prominent change management theorist, William Pasmore, explained, "The more flexible an organization becomes, the better it can respond to change."[20] Moreover, large bureaucracies by their very nature of being, are not flexible. Mr. Pasmore continues with an insightful comment that applies directly to the situation Secretary Rumsfeld and DOD are facing. "Flexibility requires that, when strategies need to change, the focus of the organization is able to change, too. This requires that the systems of the organization are able to change, and how people are managed, and what people do, and even what they think. Being flexible means being able to change everything, all at the same time. That's what makes responding to change difficult." [21] Peter Senge, author of The Fifth Disicipline, would argue that Secretary Rumsfeld is trying to mold DOD into a learning organization. "A learning organization is where people continually expand their capacity to create the results they truly desire, where new and expansive patterns of thinking are nurtured, where collective aspiration is set free, and where people are continually learning how to learn together."[22] In addition, the cornerstone to a learning organization is not just to figure it out from the top, but to discover how "to tap people's commitment and capacity to learn at all levels." [23] Going one step farther, Secretary Rumsfeld's push for organizational flexibility appears to be an effort to ensure his changes are long-term and institutionalized, outlasting his tenure and that of the Bush administration.

Through the lens of change management, Secretary Rumsfeld set forth his vision in his War on Bureaucracy. Interestingly, he followed John Kotter's process for leading change by establishing a sense of urgency to overcome complacency and gain needed cooperation. Mr. Kotter also posits that a visible crisis can be enormously helpful in pushing up people's sense of urgency.[24] By all accounts, the September 2001 terrorist attacks added to Secretary Rumsfeld's sense of urgency argument.

As Secretary Rumsfeld was setting the stage for change, he announced a series of steps that DOD would take to shift the resources from the bureaucracy to the battlefield. These steps supported his main themes of reducing redundancy, streamlining staffs, and focusing on the core missions of DOD while contracting out the rest. He appears intent on changing bureaucracy to be more flexible and on squeezing every penny out of the archaic system to support the military's transformation. Specifically, the steps affecting civilian personnel organizations and systems include--

- Realigning the Headquarters of the Army, Air Force and Navy staffs to unify the parallel staffs under the Service Secretaries and Service Chiefs.
- Reducing headquarters staffs by 15% from fiscal year 99 levels.

- Looking throughout DOD for functions that could be performed better and more cheaply through commercial outsourcing, with specific guidance to look for those activities that are not directly related to warfighting missions or are not required by law to be performed by DOD personnel.
- Employing modern business tools to the civilian personnel system to provide flexible compensation packages, better recruiting, and better training.[25]

Note that these planned steps are targeting key variables within the organization in order to change the work setting. They can be further analyzed according to the kinds of organizational issues they are intended to resolve. Secretary Rumsfeld's initiatives refer to three interrelated issues facing DOD--structure issues, strategic issues, and human resource issues.

- Structure issues focus on work design. Within organizations, how does one divide labor, coordinate among the labor, produce products or services, and then link people to tasks. (Realigning the service headquarters and reducing the staffs)
- Strategic issues in this context relate to what products or services will the organization make (do in house) or buy (contract out). How will the organization compete in the market and how will the organization transform itself to keep pace with changing conditions. (Commercial outsourcing)
- Human resource issues have to do with attracting competent people to the organization, setting goals for them, rewarding them and assuring career development. (Improving the civilian personnel system)[26]

In terms of change management, these three steps support transformational change in that they will affect the work setting.

Even before his War on Bureaucracy Campaign, Secretary Rumsfeld launched the DOD Business Initiative Council (BIC). He chartered the BIC to improve efficiencies of DOD business operations by identifying and implementing business reforms that will reduce bureaucracy and allow resource savings to be transferred to higher priorities such as transformation. Out of the initial 48 initiatives approved by the BIC, three will affect the civilian personnel system and its organizations. They are--

- Alternatives to the A-76 Program (a strategic issue). This initiative will investigate alternatives to the OMB Circular A-76, which governs the outsourcing of government

jobs. The intent of the initiative is to make it easier and less expensive to transition non-core positions (many held by the civilian sector) to the private sector.

- Improving Visibility of DOD Contractor Services (a strategic issue). There is no visibility of labor and costs associated with the contract work force. This initiative is designed to produce a contractor manpower and cost reporting process. This initiative has an indirect impact on the civilian workforce.

- A One-time Clearance of Priority Placement Positions (a human resource issue). Within DOD, civilian personnel who have been displaced from their positions or returning from overseas can elect to be placed on the priority placement list, commonly referred to as the "stopper list", to fill vacancies for which they are qualified. During the hiring process, the stopper list must be checked numerous times, which adds substantial delays to the hiring process and can affect the flexibility of the hiring official. This initiative would allow the hiring officials to check the stopper list only once and not have to check it again.[27]

In addition to the original 48 initiatives, the BIC approved 11 new proposals in September 2002. One of these, exploring the consolidation of overhead functions, may have a dramatic impact on the civilian personnel system and infrastructure. Overhead functions include human resources, public affairs, resource management, technology, and legal and contracting functions where civilian personnel are heavily infused.[28] This initiative is only in the exploratory stage at this time. As a structure issue, the realigning of functions would have significant future impacts on the Defense workforce.

ARMY INITIATIVES

Secretary of the Army Thomas White adopted the President's and Secretary Rumsfeld's business approach to managing the federal government. He initiated numerous changes and proposals for change to support Secretary Rumsfeld vision of a flexible organization. These changes or interventions can be categorized as complex, transformational changes, many of which will affect the civilian workforce system and its organizations. For clarity of analysis, the following breakdown will review Secretary White's interventions according to the organizational issue they are intended to resolve, be it a structure, strategic, or a human resource issue.

STRUCTURE INTERVENTIONS

On December 18, 2001, Secretary White announced the first of his reorganization plans. The initial push was to reorganize the Army's civilian and military headquarters staffs with the

goal of speeding up decision-making, reducing management redundancy and improving business operations.[29] One of the targets of this plan was to form an Executive Office to pull together the top echelons of decision-making channels—The Secretary and Deputy Secretary of the Army with the Chief and Vice Chief of Staff. A second target was to reduce the size of the Army "Secretariat", and pull many of its functions back to the military decision-makers, thereby aligning decision-making more with functional responsibility. Top Army officials claimed that the realignment would "…eliminate unnecessary duplication of effort, optimize the use of technology; and incorporate better business practices and organizational concepts that have proven successful in major corporations where appropriate."[30]

From an organizational development perspective, Secretary White's first change was intended to resolve a structure issue, focusing on how the organizational tasks are divided and how to coordinate the groups to perform the tasks for overall effectiveness.

The civilian workforce saw the effects of this intervention--staff reductions and merging of functions. In his press conference announcing the plan, Secretary White pledged to "put the secretariat on a diet." He stated that he expected to eliminate 700 to 800 positions. Military positions eliminated were redistributed to the field, while the money saved from eliminating the civilian positions went to funding priority Army requirements.[31]

A second front for reorganization was the centralization of installation management, called Transformation of Installation Management (TIM). The first step in the TIM was the creation of the Installation Management Agency (IMA). The IMA was tasked to mold installation support functions into a corporate structure that would enable equitable, efficient and effective management of Army installations worldwide. The agency is beginning to standardize all Army installation support services and centralize money flow between installations under a central headquarters. "In terms of institutional transformation, the Installation Management Agency implements best business practices into how we run our installations and communities. It is simply a smarter way to do business," said Secretary White.[32] On 19 March 2002, the Secretary approved the finalized plan aligning seven regions to oversee installation management. Again, one can see that this second change targets the structure of the organization. The language used by the Army leadership describing this change consists of business terms, efficiency, effectiveness, and best business practices.

The workforce supporting installation management is approximately 80,000 people strong, with over 90% civilian workers. Not only will the workforce face reductions as the consolidation and elimination of duplicative functions proceeds, but also it will see job duties refocused, personnel transferred to new organizations, and new jobs obtained for many.

Secretary White's third reorganization thrust is revamping Army's Major Commands (MACOMs). The results of this study were released on January 30, 2003. Five MACOMs were changed to Direct Reporting Units and four remained unchanged. The changes were touted as initiatives that would "realign fragmented organizations; eliminate duplication of effort, incorporate better business practices and organizational concepts, and optimize the use of technology."[33] This change activity again affects a structure issue. And because the MACOMs' workforce is predominately civilian, the impact on this workforce could be immense, with job reductions, refocused duties, and transfers to new organizations and locations.

STRATEGIC INTERVENTIONS

A fourth rung in the ladder toward change is Secretary White's October 4, 2002 announcement of the "Third Wave". This initiative is a strategic intervention in the organization, as the leadership will decide what products or services it will produce or buy--translating into what work the Army will do "in-house" and what work it will outsource. This particular initiative will have the greatest impact on the Army workforce, affecting over 220,000 employees determined to be in non-core positions--154,910 civilians and 58,727 military personnel.[34] Non-core positions are defined by the FAIR Act and are known as non-inherently government in nature. The Third Wave requires Army principal officials to develop a plan for privatizing, divesting, competing, outsourcing, converting military spaces to civilian or contract, or transferring to other government agencies, all non-core functions that fall under their purview.

The concept and implementation of privatizing, competing and/or outsourcing Defense jobs is not new. The first step toward outsourcing federal jobs began in 1979 following the signing of Office of Management and Budget Circular A-76. The second movement or "wave" began peaking in1998 and became associated with "reinventing government" during the Clinton/Gore years. It involved the Defense Reform Initiative Directive known as DRID-20 and the FAIR Act. President Bush in his Management Agenda initiated the concept for the Third Wave.[35] As previously discussed, the President called for federal agencies to determine their "core competencies" and decide whether to build internal capacity, or contract for services from the private sector in order to maximize the ability to get the job done effectively and efficiently.[36] Army Secretary Thomas White has pushed this initiative to its limits. He stated that the Third Wave will be "bigger and faster" than previous ones and may include "alternatives to A-76", with bigger chunks of competition resulting in economies of scale.[37] President Bush asked that 50% of the employees' positions listed on the FAIR Act inventory be competed or diverted. Fifty percent of the Army positions listed on the inventory would be approximately 77,000 positions.

Secretary White has targeted 154,910 civilian positions or 100% of those positions listed. Furthermore, the impact of competing or diverting 154,910 civilian positions could be very dramatic when one calculates that these 154,910 positions make up over 70% of the total Army civilian workforce of 220,000.[38]

HUMAN RESOURCE INTERVENTIONS

The last initiative proposed by the Army Secretary is the revamping of the civilian personnel system. Specifically a human resource intervention, the proposed changes include reforming the system through legislation and changing the workforce construct. Interestingly, well before the debate over the Department of Homeland Security began, the top management of the Pentagon made numerous policy statements supporting changes to the civilian personnel system and structure. As cited in the September 2001 QDR, the DOD must "develop a strategic human resources plan for…civilian personnel…. Many of the advances in private sector human resources management have not been incorporated into the DOD civilian personnel system."[39] Under the new Civilian Personnel Management System XXI, reform will target hiring flexibilities, supported by Secretary Rumsfeld's business initiative to reform the Priority Placement Program. The Army will request new legislation repealing the Classification Act of 1949 covering pay classifications to allow for broad banding of pay. The Army proposes to establish the "rank-in-person" versus the existing rank-in-job and establish the future Strategic Army Workforce (SAW). The SAW will incorporate a cadre of all Senior Executive Service and GS 12-15 leaders, supervisors, and managers. All positions and promotions will be centrally managed, similar to the Army Officer Corps, making developmental requirements and mobility mandatory. Target date for phased beginning is FY05.[40] Although not formally approved at the time of this research, the Army is finalizing a new, innovative civilian training program that will become a core component of the new Civilian Personnel Management System XXI. Training will become an integral component of the SAW, incorporated as a mandatory requirement for promotion and responsibility.

This Army initiative falls in line with efforts at the Office of the Secretary of Defense level. A closely held concept and draft legislation for the National Security Personnel System is being finalized and forwarded to Congress for review and implementation in FY04. A December 2002 article stated that although the new concept is still not complete, some have described it as "transformation" legislation, along the lines of the personnel system outlined in the Homeland Security bill.[41]

CHANGE MANAGEMENT PERSPECTIVES

Many attempts at transformational change fail. Will these changes transform the DOD civilian system, structures and business processes to provide an agile, flexible and innovative civilian workforce and free up resources? Or will these changes create the opposite—possible chaos and an unmanageable state of affairs that brings neither reform nor resources. In order to answer these questions, the interventions must be evaluated through two separate change management perspectives--the targeted change and the change process. First, was the intervention appropriate in bringing about a more efficient, effective and flexible organization? The answer lies in the assessment of the results. Results centered changes seek specific and measurable outcomes, so one can assess if the intervention produced or will produce the intended results. Second, will the intervention process create an organization and system to which the civilian workforce will commit and support? Individuals must change their on-the-job behaviors if long term organizational change is to be successful. Individuals derive their "work" behavior through their work environment and the organizational vision. Thus, the interventions must alter the vision and the work environment in order to establish new paradigms and mental models that, in turn, will produce new individual behaviors. In this way, leadership can compel the workforce to behavioral change that supports and commits to the changes.

STRUCTURE ANALYSIS

A review of the structure issue reflects a three pronged approach by the Army—a realignment of the Headquarters, a realignment of Installation Management and a realignment of Major Commands—affecting over 100,000 DOD workers. Will the realignments bring about the intended results?

Results

It is still too early in the process to determine efficiencies and effectiveness of the realignments. There are no statements or published reports on the success of the intended results of eliminating duplication, optimizing technology and incorporating better business practices.

Changed Behaviors and Commitment

What about changed behaviors and individual support for the intervention? A recent news story reported some statistics regarding the civilian workforce. Since first initiated in December 2001, the headquarters realignment initiative has cut 940 slots among its 7,000 employees

working at the Pentagon. The story further claimed that by 2004, the Army will have also "axed" 700 of the 7,000 Army agency positions and 900 of 13,000 jobs at major command headquarters. Furthermore, out of the 940 slots cut, all but 42 civilian employees had found new jobs in the government. [42] These statistics reflect just the numbers. There are no specifics of the impact on employee morale and workload due to the job cuts, new jobs or transfer of personnel. There are no surveys assessing changes in employee behaviors and support of the realignments. The realignments by themselves are not any more transformational than previous efforts at realignments.

However, the structural changes the Army is making may be successful in changing employee behaviors and gaining their support. According to change management theory, by pushing interventions on many structural fronts simultaneously, the new formal structures should create new work settings consisting of--

- New administrative policies, procedures, and management styles.
- New culture of norms, history, symbols, language, values.
- New social patterns and networks for communication, problem solving, decision making, influence and status.
- New technology through new policies, systems, work flow designs.
- New physical settings.

And with the new work settings, familiar organizations and environments will not be in place for old behaviors to fall back upon. Thus, the new organizational structure and environment has the potential to produce new mental models, new paradigms and, in turn, new behaviors. [43]

An excellent example in industry where structure changes led to behavioral changes is General Electric(GE). Former CEO Jack Welch flattened General Electric's hierarchy from nine levels to four levels. This structural change was Jack Welch's first step toward trying to get GE to behave less like a big bureaucracy and more like a collection of smaller and very adaptive companies. This structural change brought his divisional managers closer to him. It shortened the decision making process. It gave each division manager the autonomy to develop his own business strategy supporting the overarching GE vision. And within each division, the change allowed lower level managers to manage their own budgets with the flexibility to decide how they would allocate the resources for different organizational activities. Consequently, organizational norms and values changed. Divisional managers felt more autonomous and began to be more innovative and responsive to customers' needs. New networks for communication, problem solving and decision making evolved. The new organizational structure

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created new policies, systems and work flow. The bottom line is that Jack Welch created a new work environment by changing the structure--and behaviors changed. In the final analysis, the organizational changes led to changed behaviors, which, according to Welch, reshaped the culture of GE and helped improve its competitive position within industry.[44]

Assessment

If these new policies, norms, social patterns, and physical settings do, in fact, appear in the work setting, mental models or paradigms will have to change, thereby changing behavior. Again, there is no information to support this supposition, but with new work settings, behaviors may change to support the new structures.

STRATEGIC ANALYSIS

At the heart of the Army interventions into strategic issues is the concept of competition. As we have seen, President Bush campaigned on the platform that the U.S government should be market-based, stating that he would open government to the discipline of competition.

Results

The Third Wave is the Army's concept for competition. Through the Third Wave, the Army expects to promote innovation, efficiency and greater effectiveness. In a press conference, the Army leadership stated that this initiative would push support jobs to the private sector, which they believe should be more efficient and less costly. The intended results are 1) to support the President's Management Agenda; 2) to free resources for the war on terrorism; and 3) to allow Army leaders to focus on the Army's core competencies of fighting and winning the country's war.[45] As noted earlier, the Third Wave exceeds the goal spelled out in the President's Management Agenda by competing 100% versus the mandated 50% of non-core (not inherently government) positions identified on the FAIR Act inventories.

Freeing resources addresses not only dollars, but also people. The leadership cites recurring annual savings from the 13,000 jobs competed in the Second Wave at $215 million per year to support the dollars claim.[46] By moving military members (people resources) into "core" activities, the Army can benefit from the time and dollars invested in the soldier's military training as well as using more soldiers as war fighters. Moreover, the Army leadership is asking its Major Commands to try to eliminate activities that can be looked at as "no longer necessary" to incur savings of dollars and people.[47] This last concept of eliminating activities, coupled with outsourcing non-core activities, would allow leaders to focus on Army's core competencies.

Can these results be realized? The idea of competing 100% of non-core competitions has generated great congressional concern. A primary concern stems from raised questions about DOD's and the Army's ability to manage its growing workforce of contract personnel. Already, DOD and the Army have little idea of the size of its contract workforce. The <u>Washington Post</u> reported that in an April 2002 memorandum to Senator Ted Stevens (R., Alaska), Army Assistant Secretary Reginald J. Brown put the figure "between 124,000 and 605,000." The <u>Post</u> further stated that in a March 2002 memorandum, Secretary White acknowledged that "credible information on contract labor does not exist internal to the Department."[48] This concern is also reflected in Secretary Rumsfeld's BIC initiative to "Improve Visibility of DOD Contractor Services" by designing a contractor manpower and cost reporting process. Therefore, the question to ask may be, who is going to be left to supervise and manage this contractor workforce if more jobs are moved to the private sector? Furthermore, if the leadership does not know the labor and costs associated with the contractor workforce, how can it measure any efficiency that is hopes to realize?

A second issue that concerns Congress is the impact on the Defense civilian workforce. The debate on who does the work of government is continually being voiced through the lobbying efforts of the American Federation of Government Employees. The Union has denounced the Third Wave as a "thinly veiled attempt to do away with civilian jobs and benefit contractors."[49] The debate over the DHS focused on this labor relations issue and was definitely of congressional interest.

Thus, the congressional concerns are a major obstacle that the Army must overcome if it desires to pursue its Third Wave initiative and garner efficiencies. Furthermore, Congress would be required to pass new legislation to allow for some of the Third Wave's methods for outsourcing that currently are not permitted by law.

One positive result of outsourcing is the flexibility it would bring the organization. Contracting for services only when needed, be it a specific time limited project or support for surge requirements, is an argument that resonates well when played against the bureaucratic responsiveness seen in the civilian workforce system. One could argue that because of this ability to contract only when needed, costs would be less. However, because of the lack of cost analysis and visibility, this argument can only be "supposed", not verified.

Last, but perhaps most important, one needs to scrutinize the criteria used to delineate core versus non-core positions. The criteria outlined in the FAIR Act are very generic in nature and do not take into account the subtleties and expert knowledge associated with numerous jobs. For example, in the Army's educational institutions, all teaching positions have been

assessed as "non-core". Within the schoolhouse, expertise and professional behavior are needed to teach the Army's culture, the Army's mission, and even the concept of strategic leadership. This expertise also includes mentoring students on the "ins and outs" of the organization. But one can argue that contractors, even retired Army personnel working as contractors, do not have the loyalty, dedication, honor and selfless service to an institution that those within the institution have. They may not "walk the talk." With a contractor workforce, the Army may become a bureaucracy devoid of professionalism. As Don Snider, co-author of the book, The Future of the Army Profession, states "Professions offer two unique services to the American people that bureaucratic organizations do not—expert knowledge and professional behavior." He continues by stating that the Army, with its code of ethics, discipline and expertise, molds its members into a profession. And a profession is concerned with effectiveness.[50] The Third Wave and the parameters of the FAIR Act do not address nor consider the concept of professionalism and level of effectiveness. The only focus is efficiency.

Changed Behaviors and Commitment

Secretary White's Third Wave initiative supports Secretary Rumsfeld's vision and his War on Bureaucracy. However, a close review of competitive sourcing at Army installations raises questions regarding the achievement of transformational change. Since 1996 competitive sourcing through the A-76 process has been taking place on Army installations. Projected gross savings from these efforts is estimated at $3.2B (FY99-FY05)—a short-term win in support of Secretary White's stated goal of cost savings. As John Kotter notes, a leader needs short-term wins to reinforce the effort and show people that the sacrifices and changes are paying off.[51] However, in all the public announcements and documentation, there are no studies to evaluate the projected efficiencies. There are no studies or surveys to determine if customer service has improved as an indicator of enhanced effectiveness. And there are no surveys to determine the morale level of the workforce. Are the sacrifices and changes paying off? One could offer that, in fact, the lack of any such studies or surveys indicates that just the opposite is true. Efficiencies and effectiveness are not occurring, the customer is not pleased with the results, and the morale of the workforce is low. At this point it appears there is no shared vision, no new shared culture, and no changed behavior on Army installations—hence, no transformational change. The only result that one can declare is that cost savings are being realized.

In Janurary 2003, the Brookings Institution's National Commission of the Public Service, chaired by Paul Volcker, recommended that competitive outsourcing should

> Follow clear preset standards and goals that advance the public interest and do not undermine core competencies of the government....We (the Commission) are also concerned that when competitive sourcing is perceived as unfair or for the purpose of reducing the government workforce, it breeds mistrust and undermines employee morale.[52]

Assessment

If Secretary White wants to ensure that the Third Wave is the appropriate initiative to pursue and will lead to the transformational change he envisions, he needs to relook the parameters of his initiative and ask some questions. Can the Army control the contractor workforce and are efficiencies truly being realized? Will Congress support this initiative? What is the impact on the workforce and on the professionalism of the Army? As previously noted, the Third Wave pushed the envelope in requiring that 100% of non-core positions be competed. Competition needs to advance the public interest, but perhaps this initiative does not need to be "bigger and better", but rather leaner and more in line with the President's guidance. At this time, the Third Wave does not appear to be the appropriate intervention to bring about a more efficient, effective and flexible organization. Furthermore, it is not creating an organization to which the civilian workforce (and the Congress) will commit and support.

HUMAN RESOURCE ANALYSIS

The last intervention into human resource issues focuses on the revamping of the civilian personnel system. What are the intended results and will the civilian workforce support the initiative?

Results

If one is to evaluate the intended results of this intervention, the assessment must start by looking at the current civilian personnel system. The legacy of the current system dates back to 1883 and Andrew Jackson's presidency from which one associates the phrase, "to the victors, belong the spoils." Congress passed the Civil Service Act in 1883 to counter the greed and power of the day. The Act guaranteed the federal bureaucracy that politicians would not have the ability to fire federal employees every time the presidency changed hands. The system has evolved incrementally over time, open to tinkering and sometimes neglect by the governing politicians. The current civil service personnel system could be described as archaic--slow at hiring, interminable at firing, hyper-inflated at appraising, lenient at promoting, ineffective at disciplining, and miserly at rewarding.

First, many consider the personnel acquisition system to be broken. Many federal employees describe the hiring process as laborious, invisible and unfair. According to a recent Brookings Institution survey of federal employees, three out of four describe the hiring process as confusing, four of five say it is slow and a quarter refuses to call it fair.[53] When discussing the Army's hiring program, the Army leadership begins with the concept of the "train wreck". What this means is that by 2010, 62% of the Army's civilian employees will be eligible for retirement, and, there are no young people in the pipeline to fill these looming vacancies. Even after the events of September 11, civil service is far from the minds of many young people. If a young person is interested in federal service, he may be asking, "how the heck do I get one of those jobs?" If he is lucky enough to figure out the convoluted system, the system turns around and fails him by taking months to hire him. Faced with a short fused job offer from the private sector versus a potential job offer several months in the future from the Army, the young person would be ill advised not to take the private sector offer.

Another factor affecting the Army hiring process is what many DOD civilians call the "good ole boy" network. As of October 1999, the Defense Authorization Act terminated the dual compensation issue of reducing retirement pay of a military retiree employed in a civilian position of the federal government. That action translated into many military retirees seeking DOD civilian "GS" jobs. And, after September 11, 2001, DOD was granted a waiver to hire military retirees immediately upon retirement without waiting 6 months. The effects of these actions can be seen in the following hypothetical situation. COL Jones is working at his job in the Pentagon on Friday afternoon. His retirement from active duty is effective at midnight. On Monday, he walks into the Pentagon as a GS-15 working in the same job he vacated on Friday. The hiring of a retired military person is adding to the aging workforce from outside of the DOD civilian workforce. Furthermore, the hiring action has an impact on the morale of the civilian workforce, particularly younger employees who see their upward mobility opportunities blocked by the system.

The last factor affecting the hiring process is the ability of the hiring official to contract out for a job. As previously discussed, contracting out can bring flexibility and efficiencies to the government. However, this ability, coupled with the hiring of retired military, truly ends the "gravy train effect". Civil Servants no longer feel tied to life-long career service as their predecessors once were. For high-achieving civil servants, (especially those covered by the Federal Employees Retirement System, FERS), there is less incentive to remain with the government, with their jobs potentially contracted out and their promotion opportunities blocked by retirees.

In addition to the problems with the hiring system, discipline and firing within civil service regulations are arduous. Current rules allow poor performers to appeal firings, demotions, and anything other than an outstanding performance rating. In other words, poor performers have an avenue to appeal any adverse action. According to the Brookings Survey, federal employees estimated that about 22% of their work mates were poor performers. Moreover, two-thirds say the current system does not do a good job of disciplining poor performers.[54]

The compensation and appraisal systems need updating. The findings of the Volcker Commission show that there is a pay gap between federal employees and the private sector. Salaries for the hard to recruit positions are even more significant in their disparity. Although the DOD now has the ability to provide incentive pay packages for some of these positions, that flexibility is not wide reaching enough and is hindered by the hiring time lag. Both the compensation and the appraisal systems make few distinctions between hard working high-achievers and non-productive, clock-watchers. The Brookings Survey, citing statistics from the Office of Personnel Management, reflected that over 99% of all federal employees rated were above average. One has to question that if everyone is above average, where are these 22% that are described as poor performers in the Brookings Survey? The answer lies in the appraisal system itself which tells all employees that they are above average. Furthermore, high performing employees frequently get the same raises that less diligent workers get. The pay system is built on an archaic 15-grade ""General Schedule" based on seniority and longevity, not performance. An employee of the U.S. Department of Health and Human Service summed up the ills of the two systems as follows: "The problem with the (pay and appraisal) system is there is no incentive structure, no recognition of hard work…it is very hard to maintain my motivation knowing that even if I worked half as hard, I would still receive my scheduled 'step' increase each year."[55]

It should be evident that the civilian personnel system needs significant revamping. The initiatives set forth in the Army's Civilian Personnel Management System XXI will change the old system--its hiring policies, its pay system, its reward system and its management system. But will these changes produce a new, agile personnel system? For hiring policies, the initiative is proposing greater freedom to design the Army's personnel recruitment strategies and bring in new talent quickly. Hopefully, the strategy will have the latitude to assemble competitive compensation packages and align them with performance criteria. With more responsive and financially competitive hiring procedures, the Army should be able to recruit intelligent, young people. However, the hiring policy does not address the "good ole boy" system of hiring retired military personnel. Although young people would probably not be competing for the higher

graded positions that retired military are filling, the "good ole boy" open door policy does have a ripple effect. Hiring a retired military person into a high-grade slot shuts the opportunity door on the civilian middle managers who, in turn, shut the door on the new young recruits to move up the ladder. If not addressed, this system could result in sagging morale, with high-performers and young people possibly leaving the government.

The broad banding of pay is designed to tie pay increases to results, not allowing non-achievers to see bonuses as entitlements; however, there is a potential downside to broad banding. Similar to the failed Merit Pay program, with broad banding, managers can spread salaries around the workforce in equal quantities, thereby negating the desired effects. This type of management does not reward the high performers and puts those non-achievers back "on the gravy train," of gaining rewards for non-performance. One way to prevent this type of abuse of the initiative is through training and selection of skilled leaders. The new training program and the central selection process proposed under the Strategic Army Workforce should overcome this problem. Another avenue to enforce the correct application of pay broad banding is by revamping the civilian performance appraisal system. Employees should be held accountable when their performance or behavior does not meet standards. And the appraisal system should be more stringent in its parameters of giving "outstanding" or "above average" ratings to the workforce. The leaders of the new DHS have the flexibility to develop a performance appraisal system that will do just that. The door has been opened for the DOD and the Army to enter.

The one gaping hole in the Army's initiative is the failure to revamp the discipline and firing procedures. As mentioned above, federal employees complain about the disciplining and firing of problem employees. In order to "transform" the workforce, this element of the system must be addressed. The concept of more flexibility in disciplining and firing employees was widely debated during the congressional hearings creating the DHS. The final consensus gave the DHS leadership the management flexibility to reduce the time it takes to fire people. They also do not have to guarantee their employees the right to appeal firings and other actions. The Army and DOD should seek similar flexibility from Congress.

Changed Behaviors and Commitment

The Army's proposed Civilian Personnel Management System XXI does support the Secretary of Defense's guidance in the QDR. And its intended results should support his push to employ modern business tools within the civilian personnel system--flexible compensation packages, better recruiting and better training. The proposal also incorporates President Bush's expressed intent to use the flexibilities currently in place to acquire and develop talent and

leadership. However, the new system does not support Secretary Rumsfeld's vision of a flexible workplace, free from bureaucracy. Changes in compensation, recruiting and training policy are a start at improving the workforce, but the targeted results do not go far enough to bring about changes in the on-the-job behavior of the workforce. To change behavior, the work setting must change to support the new organizational vision. The proposal must address firing and discipline. The flexibility to discipline and fire is key to changing the work setting of the Army's civilian workforce. If given, this flexibility will send a clear message to those non-performers that they have two choices--join the team and perform, or move out of the way. In other words, new paradigms and mental models will be instilled in the culture, based on flexible, less bureaucratic systems.

Assessment

If the firing and discipline procedures are revamped, coupled with the changes in hiring procedures, promotions, accountability and monetary rewards, the Army can create a culture of achievement, leading to changed behaviors and a commitment to the new initiative. In turn, the DOD workforce should begin to see the benefits of changes to the archaic civilian personnel system and the initiative will then be in line with Secretary Rumsfeld's vision of a flexible workplace, free from bureaucracy.

COMMUNICATIONS

In change management theory the answer to successful transformational change lies in strong leadership establishing a shared vision that leads to a redefined and shared culture based on a changed work setting and supported by individual changed behavior. At this point, the last element to assess is the DOD leadership's effectiveness in establishing a shared vision. The key to establishing a shared vision is communications.

Secretary Rumsfeld's speech outlining his "War on Bureaucracy" set forth his vision—a campaign to reduce redundancy, streamline staff, and focus on DOD's core missions in order to transform DOD into a flexible, agile organization that can respond quickly to changing threats. Secretary Rumsfeld continues to address DOD's organizational transformation at numerous venues and is supported in his efforts by Secretary White. Although the channels of communication may be targeted appropriately, one can argue that the communication is misguided and not effective on two fronts.

First, many of the arguments that Secretary Rumsfeld and Secretary White use in communicating the vision and justifying the changes they propose are enveloped in business

concepts. Their vision is that DOD should be similar to a successful modern business, employing revolutions in the fields of management, technology and business practices. Sprinkled throughout their speeches are business terms such as operational efficiencies, effectiveness, and waste reduction. One hears phrases such as private sector's best-in-class companies, economies of scale, expertise of the private sector, best business practices, public-private partnerships, and tools of modern business. These terms do not resonate well within the Defense organization. Many employees do not understand the private sector and its jargon. Many do not relate what they do in support of national security to be on the same playing field as what the private sector focuses on—making a profit. The Army values of loyalty, duty, respect, selfless service, honesty, and personal courage are not readily associated with the private sector. The concept of the private sector as a role model to which the Defense workforce should aspire is outside their paradigms. And for the Army workforce, their leadership's private sector experience remains suspect as a model for business practices.

John Kotter can best describe the second aspect that is misguided. Too often, the communication of vision can easily turn into a "screeching, one-way broadcast in which useful feedback is ignored and employees are inadvertently made to feel unimportant." He further argues that two-way communication is essential in helping people answer all the questions that occur to them in a transformation effort, thereby making them feel part of the process.[56] For some of the DOD initiatives, task forces have presented their recommendations for change, but the communication of the change has always been top down, hierarchical, with no feedback solicited. This is quite evident in the personnel system changes. The proposed legislative packages and even the training proposal are "close hold", not allowing for questions, challenges or arguments from the workforce who is the target of the changes.

Admittedly, any transformational change is difficult, but the power of communication can provide the road map to transformational change. If the road map is neither relevant nor open to input from the targeted workforce, then transformational change is impossible. The workforce must "see" the benefits of the vision as something positive and that vision needs to be communicated through simple, relevant language with opportunities for feedback. If the leadership does not change its communication style, it may be leading a transformational change with no followers.

CONCLUSION

Secretary Rumsfeld argues that the DOD, its organization, staffing, and systems are currently not prepared to meet the challenges of the 21st century. The Bush Administration and

the Congress voiced this same concern about the federal government's mission of homeland security while creating the DHS. The weaknesses exposed by the events of September 11 still exist in DOD's personnel systems and organization--an unresponsive bureaucracy, a stagnating organization, and an archaic personnel system. So, how can complex, organizational change take place effectively? The key to creating and sustaining successful transformational change within DOD is leadership. If the drive for transformational change is to be successful, the Defense leadership must communicate effectively and develop a change process so motivationally powerful that it can overcome bureaucratic inertia and gain a true commitment from the workforce to make the changes work.

At this point, many of the leadership's initiatives are on the right track toward building a flexible DOD organization and personnel system - with accountability for results and dollars, strategic investments in the future and improved business practices. However, two fundamental components of effective change management are not being addressed.

First, the DOD leadership appears to be moving toward change resulting in efficiencies, but not resulting in changed behaviors by the workforce. Secretary Rumsfeld's vision of a flexible organization requires that the organization systems are able to change, but more importantly that the people are able to change in how they think and in turn, how they act. The second component is the failure by the leadership to communicate the vision clearly and in terms that will lead to a shared sense of a desirable future. The net result of ineffective communications is a stalled transformation.

The effective use of systematic change management principles can significantly increase the probability of successful, long-term change in DOD. And strong strategic leadership, using clear, relevant communication, will ensure that the civilian workforce, faced with restructuring, new responsibilities, new chains of command, new expectations, and different reward systems is focused on supporting the new vision and the new work environment. Today, DOD and the Army have an historic opportunity to build a renewed and reshaped civilian workforce. If the DOD leadership chooses to follow systematic change management principles, the civilian workforce should envision a common purpose and gain the strength of belief that what they are doing is in defense of the United States' national security. This end result will be effective long term institutional change. Without full commitment to the changes, the civilian workforce may comply with the initiatives being proposed and do what is expected of them, but will never accomplish the seemingly impossible mission of transforming DOD.

Word Count = 9890

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