



United States Government Accountability Office
Washington, DC 20548

April 29, 2005

The Honorable George V. Voinovich
Chairman
The Honorable Daniel K. Akaka
Ranking Member
Subcommittee on Oversight of Government Management,
the Federal Workforce, and the District of Columbia
Committee on Homeland Security and Governmental Affairs
United States Senate

Subject: *Post-hearing Questions Related to the Department of Defense's National Security Personnel System*

On March 15, 2005, I testified before your Subcommittee at a hearing entitled "Critical Mission: Ensuring the Success of the National Security Personnel System."¹ This report responds to requests from each of you that I provide answers to questions for the record from the hearing. The questions, along with my responses, follow.

Question from Chairman Voinovich

What recommendations or suggestions do you have for the Department of Defense and the Office of Personnel Management in order for them to earn employee acceptance of NSPS?

Human capital reform is a critical element in the Department of Defense's (DOD) overall business transformation effort. Therefore, top DOD leadership must play a direct and continuing role in this effort. Appropriate presidential appointees need to take the lead in selected meetings and communications. This will be necessary in order to assure that top union and other officials also participate in key activities (e.g., selected meet and confer sessions).

As we noted in our statement, the active involvement of employees and employee representatives will be critical to the success of DOD's National Security Personnel System (NSPS). We have reported that the involvement of employees and their representatives both directly and indirectly is crucial to the success of new initiatives, including implementing a pay-for-performance system. High-performing organizations have found that actively involving employees and stakeholders, such as unions or other employee associations, when developing results-oriented performance management systems helps improve employees' confidence and belief

¹ GAO, *Human Capital: Preliminary Observations on Proposed DOD National Security Personnel System Regulations*, [GAO-05-432T](#) (Washington, D.C.: Mar. 15, 2005).

in the fairness of the system and increases their understanding and ownership of organizational goals and objectives. This involvement must be early, active, and continuing if DOD employees are to gain a sense of understanding and ownership of the changes that are being made through NSPS. Further, we believe that this involvement needs to be meaningful, not just pro forma.

Implementing large-scale change management initiatives, such as the Department of Homeland Security's (DHS) new personnel system and DOD's NSPS, are not simple endeavors and require the direct involvement and concentrated efforts of both leadership, including top political leadership, and employees to realize intended synergies and to accomplish new organizational goals. People are at the center of any serious change management initiative. People define the organization's culture, drive its performance, and embody its knowledge base. Experience shows that failure to adequately address—and often even consider—a wide variety of people and cultural issues is at the heart of unsuccessful transformations. Recognizing the “people” element in these two initiatives and implementing strategies to help individuals maximize their full potential in the new organization, while simultaneously managing the risk of reduced productivity and effectiveness that often occurs as a result of the changes, is the key to a successful transformation.²

We have found that because people are the drivers of any transformation, it is vital to monitor their attitudes. Especially at the outset of the transformation, obtaining employees' attitudes through pulse surveys, focus groups, or confidential hotlines can serve as a quick check of how employees are feeling about the large-scale changes that are occurring. While monitoring employee attitudes provides good information, it is most important for employees to see that top leadership not only listens to their concerns, but also takes action and makes appropriate adjustments to the transformation in a visible way. By not taking appropriate follow-up action, negative attitudes may translate into actions, such as employee departures, among other things, that could have a detrimental effect on the transformation.³ According to the Office of Personnel Management (OPM), alternative personnel systems require employee buy-in to be effective.⁴ Thus, DOD employees and their representatives should be involved from the beginning, and without early consultation with DOD employees and their representatives, NSPS buy-in probably will not occur.

Questions from Senator Akaka

- 1. The Government Accountability Office (GAO) has often reported on the importance of employee buy-in for any reorganization to be successful. However, the four largest unions at the Department of Homeland Security have filed a lawsuit to stop implementation of the new personnel system, and, based on testimony from Mr. Gage and Mr. Junemann, employees are not supportive of the new National Security Personnel System (NSPS)**

² GAO, *Results-Oriented Cultures: Implementation Steps to Assist Mergers and Organizational Transformations*, [GAO-03-669](#) (Washington, D.C.: July 2, 2003).

³ [GAO-03-669](#).

⁴ OPM, *Demonstration Projects and Alternative Personnel Systems: HR Flexibilities and Lessons Learned* (Washington, D.C.: September 2001).

either. In your opinion, can either of these systems be successful given the lack of employee support?

Active and ongoing engagement and communication is critical for the successful development and implementation of both DHS's new personnel management system and DOD's human resources management system. Like DHS, DOD's efforts to date to involve labor unions have not been without controversy. In fact, 10 federal labor unions also have filed suit alleging that DOD failed to abide by the statutory requirements to include employee representatives in the development of DOD's new labor relations system authorized as part of NSPS.⁵ Since these suits currently are pending in federal court, I do not believe it would be appropriate to comment further on them at this time.

By including employees and their representatives in the planning process, organizations can increase their acceptance of organizational goals as well as improve motivation and morale.⁶ For NSPS to be a successful transformation, it must involve DOD employees and their representatives from the beginning of the process to gain their ownership for the changes that are occurring within the department. Employee involvement strengthens the transformation process by including frontline perspective and experiences. Further employee involvement helps to create the opportunity to establish new networks and break down existing organizational silos, increase employees' understanding and acceptance of organizational goals and objectives, gain ownership for new policies and procedures, and reduce related implementation risks.

Our prior work also indicates that engaging employee unions is a key practice to help involve employees and is crucial to achieving success.⁷ Thus, obtaining DOD union cooperation and support through effective labor-management relations can help achieve consensus on the planned changes, avoid misunderstandings, and more expeditiously resolve problems that occur. Organizations we studied involved unions and incorporated their input before finalizing decisions in such areas as redesigning work processes, changing work rules, or developing new job descriptions.

We have found that organizations undergoing a transformation should establish a communications strategy that creates shared expectations and seeks to genuinely involve stakeholders in the process. As we have noted in our prior testimonies on DHS's personnel management system and DOD's human resources management system,⁸ both departments will face multiple implementation challenges that include establishing overall communications strategies and involving employees in

⁵ See *American Federation of Government Employees, AFL-CIO et al v. Rumsfeld et al*, No. 1:05cv00367 (D.D.C. filed Feb. 23, 2005).

⁶ GAO, *Human Capital: Practices that Empowered and Involved Employees*, [GAO-01-1070](#) (Washington, D.C.: Sept. 14, 2001).

⁷ GAO, *A Model of Strategic Human Capital Management*, [GAO-02-373SP](#) (Washington, D.C.: Mar. 15, 2002).

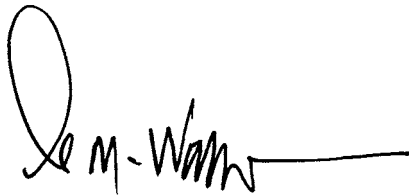
⁸ GAO, *Human Capital: Observations on Final DHS Human Capital Regulations*, [GAO-05-391T](#) (Washington, D.C.: Mar. 2, 2005) and [GAO-05-432T](#).

implementing the new systems. We believe that one of the most relevant implementation steps is for DHS and DOD to enhance two-way communication between employees, employee representatives, and management, including enhancing communication between top political appointees and labor leaders. Frequent and timely communication cultivates a strong relationship with management and helps gain employee ownership for a transformation like NSPS. But communication is not about just “pushing the message out” or seeking information without any meaningful response. It should facilitate a two-way honest exchange with and allow feedback from employees, employee representatives, customers, and stakeholders. Once employee feedback is received, it is important to acknowledge, consider, and use it to make any appropriate changes to the implementation of the transformation.

2. Mr. Junemann’s written testimony proposes that GAO audit the training program for managers and employees for the performance appraisal process. What is your opinion of this recommendation, and would GAO be open to auditing the performance management training offered by all agencies?

The recommendation that GAO audit the training program for managers and employees has merit. GAO is willing to entertain a congressional request to evaluate DOD’s training plan for the implementation and operations of NSPS. As part of our ongoing reviews of agencies’ efforts to address their human capital challenges, we developed a framework to serve as a flexible and useful guide in assessing how agencies plan, design, implement, and evaluate effective training and development programs.⁹ We believe that these guides could prove helpful to DOD as it develops its NSPS training and development program.

For additional information on our work on human capital issues at DOD, please contact me on (202) 512-5500 or Derek B. Stewart, Director, Defense Capabilities and Management, on (202) 512-5559 or stewartd@gao.gov. For further information on governmentwide human capital issues, please contact Eileen R. Larence, Director, Strategic Issues, at (202) 512-6510 or larencee@gao.gov.



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⁹ GAO, *Human Capital: A Guide for Assessing Strategic Training and Development Efforts in the Federal Government*, [GAO-04-546G](#) (Washington, D.C.: March 2004) and *Human Capital: Selected Agencies’ Experiences and Lessons Learned in Designing Training and Development Programs*, [GAO-04-291](#) (Washington, D.C.: Jan. 30, 2004).

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