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**SUBMITTED TO  
U.S. HOUSE COMMITTEE ON HOMELAND SECURITY  
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**HEARING ENTITLED  
*"BUILDING ONE DHS: WHY IS EMPLOYEE MORALE LOW?"***

**MARCH 22, 2012**

Good morning Chairman McCaul, Ranking Member Keating, and distinguished Representatives. I am Dr. Jeff T.H. Pon, Chief Human Resources and Strategy Officer of the Society for Human Resource Management (SHRM). I will describe SHRM and summarize my experience in just a moment, but first, with the panel's indulgence, I would like to acknowledge the importance of this discussion. Notably, I must emphasize that I am here to support DHS, not to criticize DHS.

Having served in federal government myself, I can understand and appreciate the organizational challenges—and their related impact on morale—faced by a relatively new agency working to assimilate more than 10 subcomponents. Just as important, as a citizen, I have enormous respect and admiration for the men and women of DHS, and the vital role they play in protecting our nation and its people.

It is the DHS that leads the federal government's efforts to guard against terrorist attacks on our soil, to protect and secure our borders, and to prevent or respond to all nature of threats to our nation. In doing that, DHS employees may at times be asked to place the nation's safety above their own. They accept that responsibility with courage, professionalism, and love of country. For all these reasons, I feel privileged to be here today, along with the Partnership for Public Service, the Government Accountability Office, and the DHS. I hope that I and SHRM can play some role in serving the people who serve us.

Recently, I joined the executive staff of the Society for Human Resource Management. With more than 260,000 members, SHRM is the world's largest organization dedicated to the HR profession. A non-partisan organization, we advocate for workforce laws and regulations that are fair to employers and employees alike, and it has been our honor to be asked to testify before congressional panels many times in the past.

Our top priority, however, is serving each of our members. Through a broad array of research products, individual assistance, professional development opportunities and other resources, the Society helps HR professionals advance their careers through the creation of fair, productive, and forward-thinking workplaces.

More broadly, inclusive human asset utilization, along with priority attention to employee satisfaction and engagement, will be critical to our nation as we continue recovering from economic storms while staying competitive globally. Across the globe, HR professionals know that the success of their organizations, public or private, rides on the success of their *people*, more than any other asset.

Those professionals recognize the importance of recruiting and retaining employees with the highest value that can be brought to each individual job. They know that successful recruitment and retention is heavily dependent on executive dedication to creating and maintaining a fair, flexible, inclusive and engaging workplace culture.

As for myself, I have spent more than 20 years leading organizations and transforming talent management, in both the private and public sectors. For instance, I helped develop a national human resource standard for the National Academy of Public Administration, and I helped the Corporate Leadership Council develop courses for HR business partners.

As a principal at Booz Allen Hamilton, I provided strategic human capital management services, with a special focus on change management, to such federal agencies as the Department of Defense, the Department of Energy, General Services Administration, the Office of Personnel Management, the IRS, and Social Security. Similarly, I have assisted such companies as Federal Express, Hewlett-Packard, Seagate Technology, Hyperion Solutions, and Williams-Sonoma.

My federal service began in 2003, when I was named Deputy Director of e-Government at the Office of Personnel Management. Key HR initiatives such as USAJobs, e-Payroll, and the Human Resources Line of Business I led there that have resulted in saving taxpayers an estimated \$2.6 billion. During my service with OPM, I was awarded the Grace Hopper Award, e-Gov Explorers Award, and the Federal 100 Award.

In 2006, I was appointed to the Senior Executive Service as the Chief Human Capital Officer for the Department of Energy. During my tenure there, I played a key role in implementing a top priority for the department—re-inventing its human capital management. I helped develop increased capability, capacity, and individual and departmental performance accountability. While with Energy, I was awarded the Secretary's Distinguished Service Award and the Career Achievement Award. In recognition for other federal HR assistance I provided, I received the Gold Medal from the Director of National Intelligence, and the Distinguished Service Award from the Administrator for the National Nuclear Security Administration.

And, I should add that I have worked with the Partnership for Public Service before, helping them advise government executives, and celebrate and recognize the unsung heroes of federal government staffs.

I outline my experience only to illustrate that I have been in—and transformed—workplaces with challenges not unlike those now being faced by the DHS. I have seen similar instances of low morale, and the domino-like effect that it has on loyalty, engagement, and productivity. What I've seen is that there is sometimes less concern about the abilities and professional qualities of employees, and more worry about placing square pegs in square holes.

The Department of Energy was organized in the late seventies. Like DHS it put together five separate organizations that were under one Secretary, but had very distinct history, cultures, and origins. The challenge has been to clarify what you are trying to accomplish as an organization, and how to tie-in each member of the organization with his or her role and relevance in achieving that culture, mission, and purpose.

As evident today in the lobby of the Forrestal Building on Independence Avenue, you can see the department's shared history. Starting from Einstein's letter to President Franklin Delano Roosevelt, to the latest research on alternative fuels, Energy is about National Security, Energy Security, Scientific Discovery, Environmental Responsibility, and Management Excellence—engaging each with a shared purpose and mission.

Obviously, DHS faces challenges of low morale, satisfaction, and engagement within its ranks—that's why you have called this hearing. My colleague from the Partnership for Public Service is more versed in the fine details, but I've seen enough from their annual ranking of the "Best Places to Work in Federal Government" to know that there's work to be done at DHS.

Based on responses from 266,000 federal employees, not only did the 2011 rating for DHS drop 3.5 percent from the prior year, the department is now ranked 31 out of 33 large federal agencies. If its rating is compared to those of all large and small agencies, plus their subcomponents, DHS would rank 268 among those 308 organizations.

As was the case in what I saw at the Department of Energy, much of that employee assessment can be attributed to difficulties a relatively new agency has in the integration of seemingly disparate subcomponents. Not surprisingly, it has not been a smooth journey for DHS. Additionally, the roller coaster of employee morale is a government-wide issue, one that each agency must address in its most appropriate and mission-specific way.

However, even considering inherent differences in workplaces within both sectors, there are lessons that the public sector can learn from the experience of the private sector. My role here today, representing SHRM and its 260,000 HR professionals, is to talk about what *works* in the private sector, not to critique DHS for what *hasn't* worked there. Not every approach or solution is transferable to the public-sector workplace, but each contains at least a seed for growing improvement.

Typically, when private organizations face similar challenges to those being addressed by DHS, those situations can be traced back to uncertainty and disconnects within a weak organizational culture. A strong and enriching culture is not just about the people themselves. It's about creating the right environment for them to flourish, incorporating shared experience, beliefs, artifacts, and the power of teamwork. It's about identifying who and what the organization is, why it's here, and about everyone embracing its mission. It's about the limited and judicious reliance on silos.

Within DHS, there may be silos that are important for many critical missions, but there could also be competitive silos, built for the quest for critical limited resources. When that happens in any organization, there is not enough sharing of information, inter-department collaboration, and respect for both commonalities and differences.

For example, one of the private-sector technology manufacturing organizations I worked with matured after 25 years into 13 layers of management, and 57 general ledgers (57 EVPs and SVPs with their own budget bowls). The lack of

integrating acquired companies, and the accompanying growth, organically resulted in unintended silos and layers. This organization had business units competing for resources, a lack of coordination, increased duplication, slower communication, slower decision-making, and confusion on the organization's purpose.

The organization moved toward seven layers, and started to manage across product sets--three product groups, not 57 general ledgers. This provided greater speed, and a sense of increased control over sourcing materials, production, and distribution. Although DHS is very different than this example, what remains is an example of how an organization is put together often defines how it behaves.

In both the private and public sectors, smart organizations—those that want to be successful, meet goals, and be an employer of choice—often come to the realization that they must make intrinsic change. They have to change the way they operate, and they must commit to improving the organization's root culture.

At a glance, it would seem logical that change management is all about gathering and analyzing information, and making change based on that information. Certainly, that is part of change management, but it's far from everything that's needed. Information can bring a change intellectually, but true change can only come when individuals are touched emotionally.

In his book, "The Heart of Change," John P. Kotter, instructor at the Harvard Business School for 40 years and respected author on the subject of change, has analyzed many successful organizational transformations and suggests that the path to change within the "hearts" of a staff is one of eight steps. I'll paraphrase him in explaining just some of those steps, which have been followed by countless private-sector and public-sector organizations to improve morale and productivity. It's a simple framework that has been used to address challenges similar to those facing the DHS.

### **Form a Strong Change Team**

To lead the effort, start by selecting a cross-functional change team from throughout the organization, including both people who can inspire other team members, and those who may need to be redirected because they are ineffective in old ways but entrenched in them. This selection process won't be easy. As Professor Kotter says, in a reference that could well be applied to DHS, "An organization's politics and history, especially if it has undergone mergers, can undermine efforts to construct a strong team."

### **Create a Vision**

With the team in place, it must create a common vision for the organization, and identify goals that everyone can rally behind. A vision isn't a strategic plan, or an extension of status quo. Professor Kotter suggests, rightly, that developing a workable vision requires venturing into unknown territory, and exploring ways that a good vision can motivate people.

Simply laying down the law with managers won't motivate them; it may even impede their growth. Find a vision that inspires—that touches the heart—and then start removing the impediments to achieving that vision.

### **Communicate Honestly**

Direct communication creates trust. Communicate early and often about the change initiative. Early responses might include fear, cynicism and anxiety. Those realities cannot be ignored; they must be addressed. Present the vision clearly and honestly, and then treat every response with respect and consideration. As communication spreads, there must be evidence that it's not just talk—executives and managers must "walk the walk." Demonstrate that leadership takes transformation seriously, even if that change creates some discomfort for those at the top of the pyramid.

### **Break Down Barriers**

With a full-communication philosophy in place, along with proof of executive buy-in, focus more attention to the impediments mentioned earlier. A typical barrier is a stubborn manager who greets the vision with a declaration that, "We tried that once and it didn't work." Don't give up on that manager, or assume that he or she is impossible to convince. Consider steps such as a temporary change of venue—change may come when the manager is allowed to see things differently through the prism of a new experience. Also, fear of failure is an impediment. Don't ask people to take risks and make change in return for modest rewards, yet maintain a culture in which they're conditioned to expect punishment if they fail. Break down the silos that keep employees from full engagement.

### **Demonstrate Progress**

Show that the changes are making a difference. Celebrate—with restraint—short-term wins. Although a good vision is long-term, short-term successes reaffirm the vision, boost those employees who helped achieve them, and help to turn around skeptics. But don't exaggerate, or "spin" the wins for anything more than what they are. Employees see through that, and then mistrust news of even more important and better documented achievements.

### **Don't Give Up**

Stick with the course of change. Don't let up; be tenacious and fully engaged with the process. Even when short-term successes are recognized, it still emphasizes that much more needs to be done. With those early successes onboard, heighten urgency and keep alive the initial flame of the change campaign. At this point in the campaign, exhaustion can be an enemy—people are making rapid change while still doing all of their old work. They may feel there is no hope, and abandon the new work. The solution is to intensely analyze some of the *old* work, and streamline or eliminate what isn't really critical. A manager's mandatory 25-page monthly report may be just as effective in two pages.

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When change management is employed correctly, there will be not only acceptance of and comfort with the transformation, but also higher employee satisfaction. Every step of the process, as I've just outlined, conveys messages of team, commonality of mission, and fairness in the workplace.

Those elements lead to employee satisfaction, and advances from there to the highest achievement—employee engagement. For the last 10 years, the Society for Human Resource Management has conducted an annual national survey focusing on levels of employee satisfaction and engagement.

According to our 2011 findings, there is evidence of both good and bad news. We found that 83 percent of U.S. employees reported overall satisfaction with their current job, with 41 percent of employees indicating they were “very satisfied,” and 42 percent “somewhat satisfied.” However, despite the seemingly positive findings, there has been a steady decrease in overall satisfaction since 2009.

In most cases, job security ranked among the top two “very important” aspects of job satisfaction, regardless of the organization’s staff size or employees’ tenure, age or gender. Farther down the list was compensation and benefits (54 percent and 53 percent, respectively), so pay is clearly not the Holy Grail of employee satisfaction.

That corresponds with surveys completed in 2011 by the staffing firm OfficeTeam. Workers were asked, “Aside from salary, which aspect of your job is most tied to your satisfaction?” The top response was “work-life balance.” When managers were asked what aspect, aside from pay, affected their employees' morale, work-life balance was again the leading choice.

In the SHRM research, among the factors that employees rated higher than benefits and compensation in affecting their satisfaction was the relationship they had with their immediate supervisors. This finding could be particularly relevant to DHS, which has experienced a high frequency of turnover among senior level management.

Similarly, 71 percent of employees said that acknowledgment of their contribution to the organization's business goals satisfies and engages them. Because of its integration challenges since the agency was formed, DHS may be seen by some of its employees as lacking a clear and unified mission.

Effective communication from senior management, especially during times of uncertainty, can provide the workforce with direction. Our research in 2011 found that 53 percent of employees said communication between employees and senior management was very important to their job satisfaction. And a full 60 percent said a proper organizational culture could *engage* them.

## Moving from Employee Satisfaction to *Engagement*

If there is a gold standard in human capital management, it's to move a workforce from employee satisfaction to the higher achievement of employee *engagement*. That's when people find meaning in their work. It's when they stop watching the clock, and start embracing their role in moving the organization forward.

Rising to that plane is not easy, whether in the private or public sector. Nor is doing so a guarantee of key staff retention. For instance, we can't assume that an era of financial uncertainty is going to lock in our staffs, and keep key members from going elsewhere. Many employees will still feel anxious, alienated, adrift—and maybe even a little distrustful of management. That's why, even in a still uncertain market, many of them are poised to flee. In the fall of 2009—*before* the economic skies started to brighten a little bit—staffing firm CareerBuilder surveyed 5,200 U.S. workers and found that nearly one in five, or about 20 percent, said they planned to get a new job in 2010.

And, last fall, Randstad U.S. released its Employee Attachment Index. It showed that nearly 30 percent of the *most* engaged employees—the ones who say they *like* working for their employers—said they would seriously consider a new job offer in 2011. Plus, one out of five of those same people said they would *accept* one, if offered.

Last year, SHRM did a webcast with Mike Ryan, an expert on workforce engagement and recognition. He said that high unemployment levels are giving employers a false sense of security—they assume people are happy to simply have a job.

But, he said, the willingness of employees to put in discretionary effort—to go the extra mile—has declined; employees are feeling like disposable commodities. He said, “Emotionally, many of them have checked out.” They're simply waiting for the economy to improve in order to find a better environment.

Despite the lack of any guarantees, achieving employee satisfaction is still the top priority for HR professionals. The first step is to recognize the distinction between satisfaction and engagement. Satisfaction is fickle, and can vary from day to day. But true engagement is steady and locked in.

An engaged employee has an understanding of what must be done to add value to his or her organization. That understanding is accompanied by a sense of pride, a sense of passion, and a connection to the organization's mission. A little farther down the scale, a *non-engaged* employee has checked out, with no energy or passion.

Finally comes the actively *dis-engaged* employee, who acts out his or her unhappiness and undermines the spirit and accomplishments of others. This is the toxic employee; one who poisons the organization's culture. A recent Gallup poll of 42,000 workers determined that only a third of U.S. workers feel engaged. Gallop estimated that lack of engagement—



and resulting lack of productivity—costs U.S. businesses \$350 billion every year. That’s more than the annual GDP of Israel, Portugal, or Singapore.

We’re conditioned to think that “recognition for good work” is the best way of engaging employees. That helps, but it’s not the number-one driver. Research shows that *progress* is. Employees feel most engaged when they can make *headway*—when the challenge is neither too easy nor too hard—and when they receive the support they need to overcome obstacles.

Progressive employers have concluded that engaged employees and the management philosophy of command and control aren’t good cubicle partners. As noted author Daniel Pink says, blind compliance can be an effective strategy for physical survival, but it’s a lousy one for personal fulfillment. In a recent best-selling book, “Drive: The Surprising Truth about What Motivates Us,” he said, “We have way too much compliance and way too little engagement. The former might get you through the day, but only the latter will get you through the night.” Engagement could get any organization through the night—when it’s darkest, and when everything is just a little more unknown and challenging.

Dr. Mihaly Csikszentmihalyi, noted psychologist, author and expert on well-being, analyzed people who were totally engaged in free-time activity. He labeled what they were enjoying as autotelic experiences—effort in which the activity itself is its own reward. Later he re-labeled that simply as *flow*—a place where goals are clear and commonly reached, where feedback is immediate. He said that in a state of flow, “the effort itself is the most delicious reward.”

Human resource professionals have found that the costs are high when a workplace is a *no-flow* zone. Leading innovators like Microsoft and others have realized that flow-friendly workplaces help people move toward satisfaction, engagement, and higher productivity.

### **The Power of a Flexible Workplace**

Not long ago, SHRM surveyed its members globally and asked them what will be their biggest challenges in the next 10 years. The number-one response was retaining and rewarding their best talent to achieve their organizational mission, the type of people who could be *satisfied* with their work, and eventually *engaged* with it. The number-two response was attracting those types of people to their organizations.

Then we asked, what is the most important factor in achieving those goals? Nearly 60 percent of those polled, in organizations large and small, said the creation of flexible work arrangements—that is, creating work environments that don’t focus on where, when or how people do their work, as long as the results the organization needs are met; work settings in which employees are also offered opportunities for self-improvement, either through employer-funded education, personal finance education, or others. “Compensation,” was much farther down the list.

At SHRM, we believe that workplace flexibility—re-imagining the workplace—is the next major strategic competitive advantage for the business of both private-sector and public-sector organizations. It is the next business imperative.

A flexible workplace is one where human capital is held with *esteem*, and where personal priorities and responsibilities don't have to compete with organizational vision. And, for the employer, flexible arrangements increase productivity; boost engagement and loyalty; reduce absenteeism; save money on overhead; attract new employees; and help retrain the best talent the employer already has.

We at SHRM feel so strongly about this issue that we have partnered with the Families & Work Institute, the preeminent research organization on workplace flexibility, to promote this new paradigm through research and experience-based advice on implementation. We feel that any organization will never be able to *cut* enough, *streamline* enough, or boost *efficiency* enough, to come close to what happens when you optimize the talents of the workforce and allow employees the freedom to flourish. All of us want work that is meaningful and rewarding, and a work *setting* that reflects the best of who we are.

The federal government and its agencies deserve credit for the strides they have already made in creating flexible work settings, but even more can be done. Every workplace in 21<sup>st</sup> century must be adaptive enough to benefit employers and employees alike. Every workplace must be free from discrimination of any kind, a place where we celebrate—and take full advantage of—our *differences*, the wonderful mix of our ethnic, cultural, religious, and societal influences. In such a workplace, both the organization and every one of its employees can realize their goals, and become the best they can be, all due to a place where workers have a sense of pride, a sense of connection—a sense of *passion*.

### **Other Challenges Faced by Every Employer**

In today's challenging environment, it's little wonder that an organization such as DHS can be facing human capital issues, particularly within an agency that has been in flux since its creation under national crisis. Similarly, human resources professionals have a lot on their plates specifically the following issues.

There is an unprecedented mix of generations in the workforce. For the first time in history, we have *four* generations in the workforce, and in just a few years, there will be *five*. The work behaviors and motivations of such a diverse mix need accommodation. All of these people have different needs, different ways of communicating, and different expectations of their employing organization. The organization's challenge is to align them, to help them collaborate, and to work together toward the common interests and goals of the organization.

A boomer brain drain is looming on the horizon. The first wave of baby boomers started turning 65 last year, and 10,000 more will be turning 65 every day for the next 20 years. Both private and public employers don't want to suddenly lose that reservoir of experience, maturity and judgment—especially when they will need someone to help foster a positive work environment among those four or five generations in the workplace.

Also, despite unemployment levels, we are facing a major skills shortage. Recruiters in both the public and private sectors are having difficulty in finding the necessary talent to do the job. A survey not long ago by the staffing firm Manpower found that 52 percent of U.S. employers have a hard time filling critical positions with necessary skills sets, up 14 percentage points from the previous year.

In SHRM's own research, we have found that our members' employers have more than three million jobs today that simply can't be filled, or what is called "structural unemployment." If we could fill these jobs alone, the national unemployment rate could be lowered a full percentage point. We match 100-percent fits, as opposed to connecting the 70-80-percent fits to development opportunity, and then to employment.

Finally, due to an education gap, our schools are not adequately preparing the workforce of tomorrow. The Georgetown University Center on Education and the Workforce says that by 2018, the nation will need 22 million new college degrees to remain competitive—but we will fall short of that number by at least three million.

Forty years ago, in 1973, only 28 percent—or one out of four—jobs in the U.S. required a post-secondary education. That number is expected to rise to *63 percent* over the next decade. If something is not done soon to address this problem, high school graduates and dropouts will be largely left behind—unemployable. And, as a nation, we will not have the workforce we need to fill our jobs. As a result, the competition for skilled talent will become even fiercer, and organizations like DHS and others will need to develop new strategies to differentiate their organizations in order to recruit and keep the best workers.

## **Conclusion**

Admittedly, we at SHRM are biased in focusing on the human resources staff of DHS, knowing that successful change management will come from their creativity. Their wisdom is in anticipation, in knowing what comes next, because that's what HR does—and then building the right workforce to *seize the opportunities* that come with change.

There's a reason we so often hear the line that an organization's most important assets walk out the door at end of every work day. The reason is because it's *true*. There is ample evidence from both the private sector and public sector that a culture change at DHS can be successfully implemented, and the Society for Human Resource Management stands ready to serve.

With the right vision, a bold and tenacious commitment to change at every executive level, and with honest and open communication, DHS will be able to look over the horizon and foresee *more* changes. By re-imagining and re-designing the workplace and the workforce, it will be able to transform the present, and plan for the future.

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