

Pivotal Insight Research

**Context Report: Change Management in the
Federal Government**

July, 2004

***Managing Under Stress:
How Government Human Resource Directors
Can Thrive in Times of Constant Change***



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This report provides context for a multi-part series of reports dealing with change and mission flux in Federal organizations. Further research and resultant reports will be part of studies and/or subscriptions available to Pivotal Insight clients either through participation in these studies, annual subscription fee, or purchased separately by contacting Pivotal Insight at 703-875-2129 or inquiries@pivotal-insight.com.

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Pivotal Insight is committed to delivering timely research that addresses the significant business and technology challenges facing the public sector.

- These reports should be seen as learning and communications tools helping government executives and their business partners understand these various issues in depth and context.
- Our reports should not be looked to as either a set of definitive procedures or cook books. Since government is in a constant state of change, this report may not always represent current processes, policies, and practices that have been updated or modified since the date of publication.
- Pivotal Insight will endeavor to remain current in topics of interest to our subscribers through various communications channels including our newsletters, updated research and reports, communities of practice areas and forums and access to our researchers and analysts.

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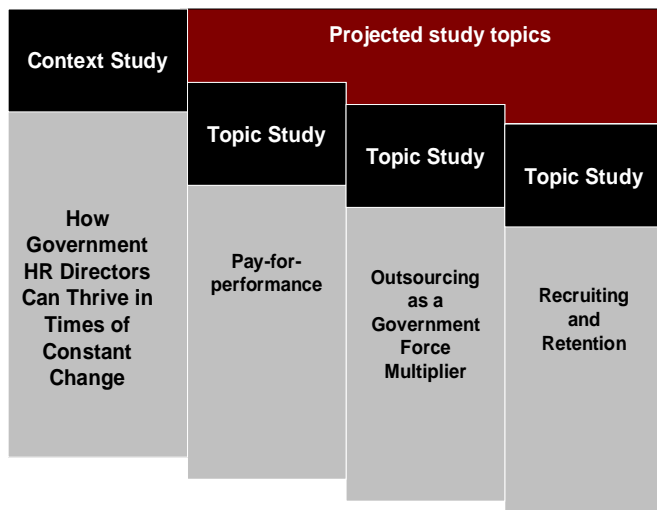
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Additional Research on Thriving During Constant Change

The Pivotal Insight Change research consists of a series of reports in which we intend to cover the topic from a number of HR management perspectives. The study begins with this report which describes the problems that face HR directors as a result of constant and uncontrollable change.

Additional studies will look at detailed topics such as pay-for-performance and the role of outsourcing as a government force multiplier. If you would like to be a sponsor or participant in our research, please contact Pivotal Insight at 703-875-2129.

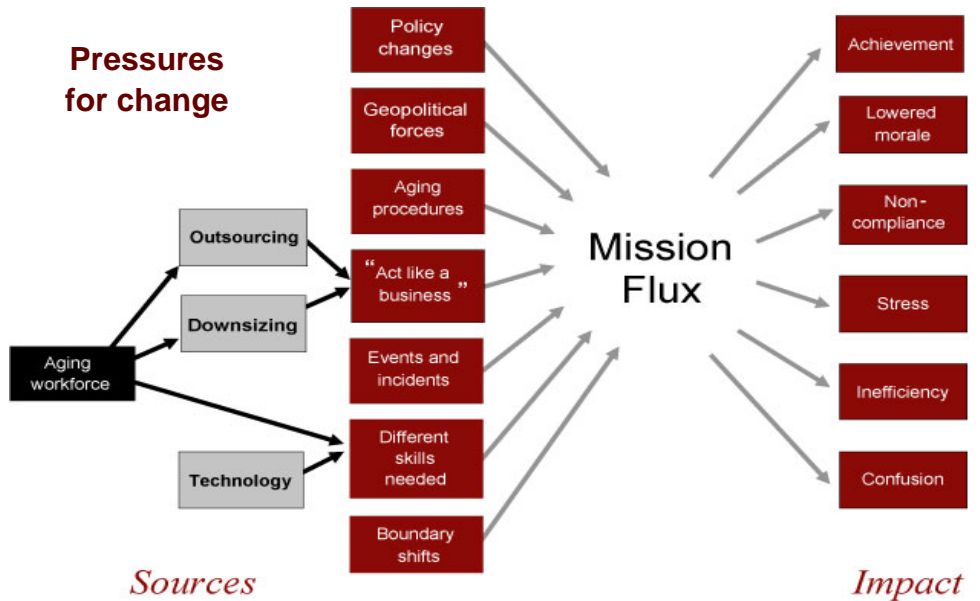
Constant Change and Mission Flux in Five Minutes

Introduction

Government HR directors face significant and daunting challenges from the unending and constant changes that barrage them from all sides. This report looks change broadly, and at an important special case. **When an agency is in a state of constant change and faces unexpected and unplanned-for mandates that add to or shift the agency's mission, we call that situation *mission flux*.** This requires HR to continually reshape and/or re-mix the workforce's size, skills, grade levels, systems, processes, programs and practices.

These pressures come from many directions and often all at once. At the center of the maelstrom is Human Resources, trying to provide the right people and capabilities as the agency's mission, goals, programs, technologies, and workforce swirl around them.

"We struggle with endless change..."



"Our people are like punched-out old fighters... but they just want to do a good job."

Government is having a difficult time keeping experienced staff on board, and faces even greater retention issues in the future—the 2001 GAO Human Capital Management report and the OPM 2003 Fact Book's numbers on the increased rate of retirement highlight this problem. Senior HR leaders identify change in the form of mission flux as one of the primary contributors to the ongoing exodus of veteran staff.

The purpose of a **context report** such as this is to define a critical problem and set the stage for future research that drills down into the details of what senior executives around the government are doing to resolve or live with these problems. In the case of constant change and mission flux, if the HR department can help an agency respond more positively and effectively to change, the payoff is improved staff retention, higher productivity, and the ability to achieve the goals of the agency. This report looks at the mechanics of mission flux and how agencies deal with it. The BEST best practices on the next page are a distillation of the collective wisdom of very senior HR leaders throughout the government. Additional best practices appear throughout this report in the grey boxes.

What Can You Do About It? The BEST Best Practices

Leadership

- Be dynamic, interactive, fast moving, and decisive. **“Fail fast”**—success comes from experience, experience comes from failure.
- Think about problems from your boss’ perspective. **Educate** the political appointees about your agency, job, constraints, and staff—this strategy pays big dividends when you get their attention, and cuts down on flux.
- Don’t just be “transaction people” in HR. Take charge of end-to-end problems recognizing that your activities are crucial to the success of the agency as a whole. **See the big picture.**
- **Communicate** constantly, including with the management support staff, about the change environment and the importance of the tasking.

Compensation Systems

- Implement and leverage **pay-for-performance**.

Measures and Metrics

- Create a **system of measures** that looks at HR activities through the lens of the broad organizational mission, which means that you will need to include data from other parts of the agency—don’t limit yourself exclusively to HR data if you want to avoid stove-piping and misunderstanding of the ROI.
- Build a **dashboard** that ties metrics to performance.

Strategic Planning

- HR needs to position itself as a strategic player, not an order taker of tactical directives. Raise your game to the strategic planning level and **become a player** in the formulation of strategy for your agency.

Management Education

- Do more **reading** about management and leadership. Create a management bookshelf (including research reports, magazines, popular books, bibliographies, biographies, etc.) and actively continue your own informal education. “Rebirth yourself” continuously as a manager and as a leader.

Performance Management

- Move to a hybrid **behavioral/outcomes-based system** for employee evaluation. Take advantage of the latest research in performance management to craft your system.
- Improve communication with employees. Give **feedback** early and often throughout their careers.

Relationships

- Build relationships with **top management, Congressional staff and key influencers** of policy immediately—these pay off when flux hits.
- Gain an **understanding of your vendors**, their motivations, and their constraints. Don’t act as if profit is a dirty word. They may save you in a changing situation.
- Engage with the **public** as a source of assistance. Listen to their needs and problems. Request their help.
- Consider **outsourcing** when the circumstances make sense.

“Change is inevitable” but your response is not pre-ordained



An Introduction to Constant Change and Mission Flux

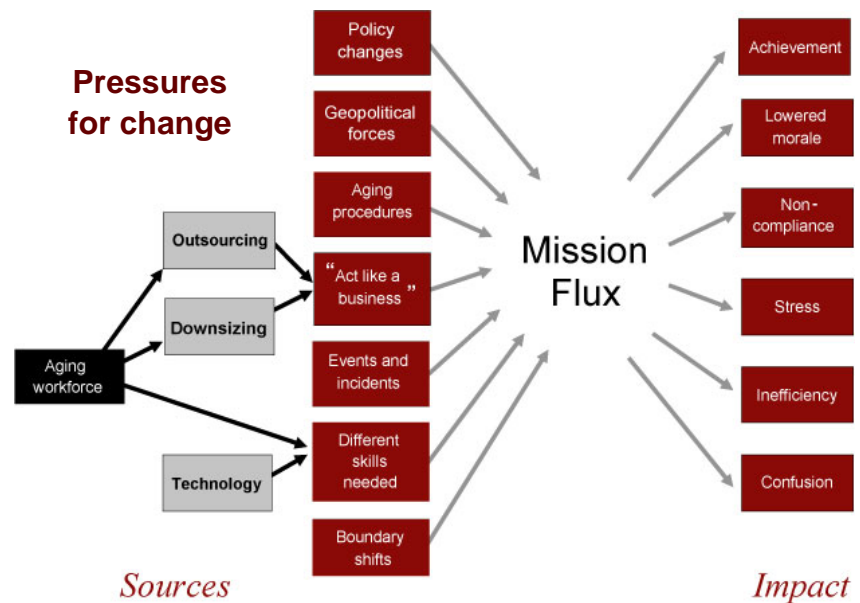
“Everyone understands the problem, but no one knows how to solve it...”

“Flux drives our age demographics. We can’t keep experienced workers in the building.”

Constant change and mission flux are at the heart of the tension between achieving results and complying with changing and often unfunded mandates. At all levels of government, executives confront a challenge that would daunt Sisyphus. They endlessly must push their agency and staff to achieve their mission objectives and to see the results expected by taxpayers and legislatures. From the President’s Management Agenda to the Congress’s Government Performance and Results Act to the latest campaign pledges, executives must find ways to meet both the missions they have and the obligations that get imposed. This is the challenge of living with constant change. While its impact is not limited to the HR department, this study focuses specifically on its effect on the HR director and staff, with the intent of providing context for an ongoing series of studies that will address how to deal with change effectively.

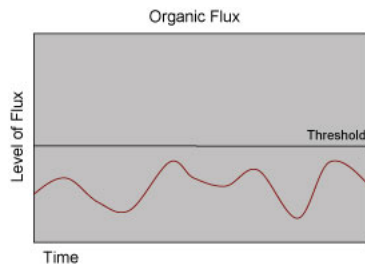
Virtually all government agencies are undergoing transformations involving their mission, goals, programs, technologies, and workforce on either a routine or ad-hoc basis. Some of these changes result from administrative or legislative policy revisions, while others occur because of catastrophic events (e.g., the restructuring brought about by 9/11.) Many factors contribute to change and have generally negative results—offset only by the achievement of whatever goal triggered it.

FIGURE 1: MISSION FLUX SOURCES AND IMPACTS



Mission Flux Definitions and Types

FIGURE 2: ORGANIC FLUX



Mission flux is a simple concept with complicating aspects and implications. Organic factors that are a part of the culture of the agency may cause flux. Since some level of flux is always occurring, there is a fuzzy agency-specific threshold that distinguishes critical flux events from ordinary organic flux. When a flux event goes above the threshold, it is significant enough to cause out-of-the-ordinary disruption to the agency’s mission, and may trigger a state of permanent flux as described below.

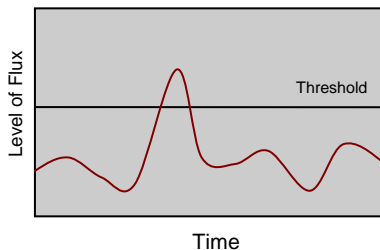
A wide variety of situational factors produce flux: legislative or executive directives (such as the impacts of “no child left behind” directives on state education programs and local school districts), national or international events (e.g., the rise of world terrorism or the end of the Cold War), changes in technology (i.e., the Internet was responsible for a wholesale redefinition of how government approaches its work), executive leadership turnover, and many more.

TABLE 1: Flux Interactions

FLUX	Predictable	Unpredictable
Controllable	Business as usual – just get the task done	Business as usual – just get the task done
Uncontrollable	Business as usual – just get the task done, higher stress	Major stress and potential chaos

The interaction of controllability and predictability provides insight into how HR managers respond to flux at a macro level. The intersection of unpredictable and uncontrollable flux has the greatest negative impact on the HR organization and may lead to non-compliance with the tasking or poor performance if HR cannot deliver the staff necessary to deal with the change.

FIGURE 3: Transient Flux



Flux can be both transient and permanent. **Transient** mission flux occurs when an agency receives new, unexpected tasking that does not eventually become part of its normal mission. **Permanent** flux happens when an agency’s mission is so inherently flexible, undefined, or subject to change that flux above the threshold becomes a way of life.

Flux occurs both within an agency and across agency boundaries. Intra-agency flux is a result of mission redistribution or changes in organizational boundaries (or stovepipes) within an agency, but may be caused by either internal or external forces. Inter-agency flux occurs when missions are passed or reconstituted among agencies. The most profound recent example of such reconstitution is the wholesale redistribution of security functions into the Department of Homeland Security.

Systemic flux results from a broad redefinition of an agency's mission or practices that cuts across intra-organizational boundaries and affects several of the key management systems that have been created to support the agency. It is generally *self-inflicted* or *self-initiated*. **Process** flux tends to be tactical, and occurs when a key process in an agency changes, usually as a result of a directive from an organization that has some say in but does not actually perform the process.

The outcome of flux, at the extreme, frequently appears as chaos—a tidal wave of change and tasking that is nearly impossible to manage and has consequences (some serious) to the agency. In almost all cases, these circumstances are particularly problematic for the HR department.

Flux can be mitigated in several ways or by several important factors:

- Best practices
- Applying intrinsic skills and resiliency
- Anticipation
- Ignoring the flux forces altogether (or until the squeaky wheel dominates), which is one of the more common responses

FIGURE 4: FLUX MITIGATORS



Leadership Best Practices

- Dealing with HR, Human Capital Management, and constant change require the same basic skill set—all need leadership.
- Lead aggressively when a situation is both important and urgent.
- Change will happen. Peter Senge (*The Fifth Discipline*, 2001) speaks of the “continuous whitewater of change.” Respect change and ride it.
- Establish a mission or philosophy statement. Doing so provides a baseline for evaluating the priority of mission flux directives.
- Be dynamic, interactive, fast moving, and decisive. “Fail fast”—success comes from experience, experience comes from failure—don’t waste time trying not to fail.
- Think about problems from your boss’ perspective. Educate the political appointees about your agency, job, constraints, and staff—this strategy pays big dividends when you get their attention.
- Don’t just be “transaction people” in HR. Take charge of end-to-end problems with recognition that your activities are crucial to the success of the agency as a whole. See the big picture.
- Eliminate administrative and operational stovepipes when addressing a flux event. Think of the management team as integrated, not disjoint.
- Learn from, and repeat, your successes by developing best practices and leveraging successful executives for leadership development.
- Communicate constantly, including with the management support staff, about the flux environment and the importance of the tasking.

Measures and Metrics Best Practices

- Workforce planning is critical—implement a metric-based system so that you have a baseline when you have to deal with flux.
- Create a system of measures that looks at HR activities through the lens of the broad organizational mission, which means that you will need to include data from other parts of the agency—don't limit yourself exclusively to HR data if you want to avoid stovepiping and misunderstanding of the ROI.
- Build a dashboard that ties metrics to performance.
- Survey employees extensively, broadly, and frequently. Short, focused surveys are more effective and can be translated into action easily. You need to know what the workers are thinking when in flux.
- Don't get stuck in analysis paralysis. Find a balance between *no metrics* and *inundated with numbers*.

Mission Flux is a Part of Life in the Federal Government

“Flux did not just creep up on us. Twenty years of downsizing has hurt us.”

“Most change stress comes from new technology that we don't understand...”

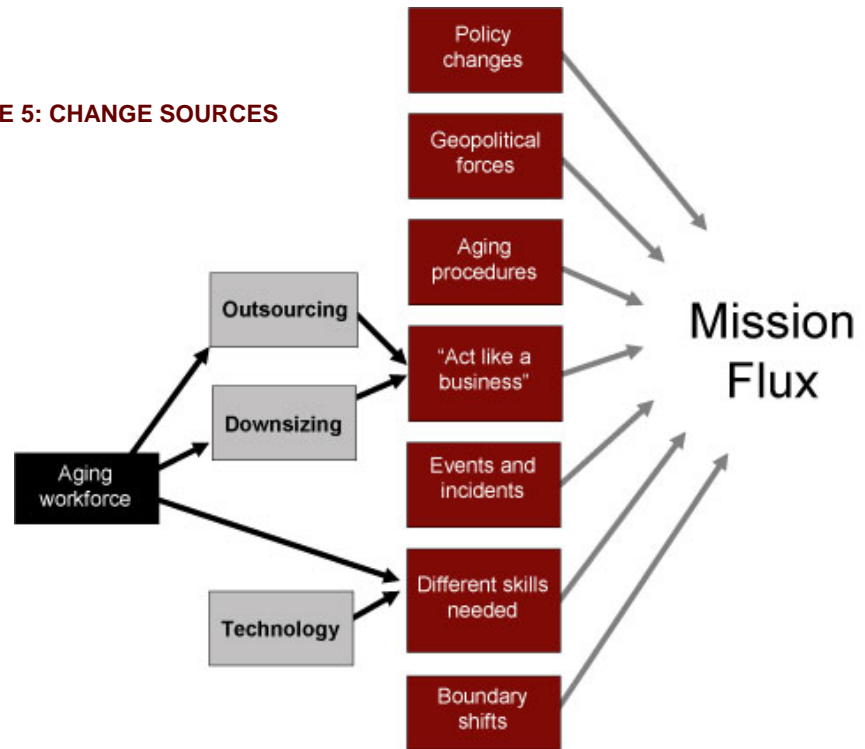
“Our data is awful...”

Our research revealed several major factors or forces that drive mission flux in government agencies including:

1. Externally imposed factors such as policy changes, events or incidences, inter- and intra-agency structural or responsibility boundary shifts, and administrative shuffling.
2. Intrinsic factors or forces, which include
 - Attempting to act like a business, which is profoundly changing the pressures on government HR. This includes the addition of new missions such as coordinating downsizing, outsourcing significant workload, and thinking in terms of ROI and equity.
 - Widespread demographic shifts that chronologically, geographically, sociologically or economically modify the internal and external populations served by an agency.
 - Changes in demand or service provision patterns of government services.
 - Wholesale shifts in the expectations and flexibility of the governmental workforce.
3. Technology factors affect the HR department both as a source of new demands for skills and training, and as a tool for supporting the workforce. Fundamentally different skills are needed, and are often available only through competition with the private sector.



FIGURE 5: CHANGE SOURCES



“We’re constantly under pressure to produce...and also to do new missions, to reallocate staff, to raise GS levels, to be competitive with industry, to reorganize...”

Turmoil and Stability

Our survey participants fell into two categories: those who saw their mission as fundamentally stable (under 20%) and those constantly dealing with a change or increase in mission (over 80%). Managers who saw their missions as stable were typically dealing with organic flux plus low levels of transient flux. The others had undergone a phase shift in which the organic flux had crossed a threshold of both frequency and scope, and flux had become permanent.

“Success happens when you get the person, organization, and mission into alignment.”

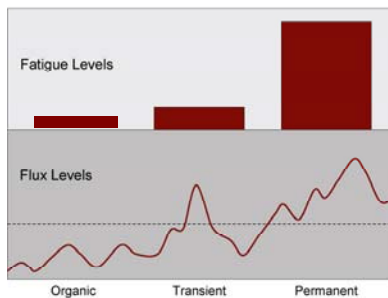
While virtually all managers see mission flux as an important factor in their workload, their sense of urgency was significantly different depending on a wide variety of factors including access/non-access to additional budgetary support, level of senior management support, and the prior implementation or non-implementation of proactive policies and processes to improve the flux situations. The size of the organization and its highest level mission (i.e., whether it was providing a direct service to the public such as INS or HHS, or fulfilling a primarily regulatory function such as EPA) did not have an impact on the respondent’s perception of mission flux.

Virtually all identified flux as having a significant or critical impact on the HR function (e.g., personal stress, changes in hiring practices, increased reliance on outsourcing, etc.), and virtually none expressed any surprise at its prevalence or ubiquity.

In spite of the prevailing acceptance of flux as a way of life, respondents expressed a general sense of *change fatigue* ranging from ‘minor

Change fatigue ranges from 'minor nuisance' to 'over the edge'

FIGURE 6: CHANGE FATIGUE



nuisance' to 'over the edge.' Poor staff performance in flux situations is closely connected to the level of change fatigue.

Agencies often are told to resolve the flux situation but are not able to spend any additional money or derail any existing, popular programs. This situation is akin to that which Congress faces when taxpayers tell it to lower taxes but not cut any services.

In general, the survey respondents did not report any mission 'relief' when flux situations occurred. They were expected to deliver their normal services while dealing with flux, too. Among the respondents, the generators of flux (e.g., Congress, the Executive Branch, etc.) are notorious for not connecting flux tasking to financial or time resources.

Further, the government is operating at a higher tempo and in an increasingly flexible, business-like environment that is more dynamic than in the past. It is not just missions that are changing. Organizational boundaries are also constantly in flux as agencies refocus due to changes to national priorities (e.g., HLS, DOD, CIA, Energy, etc.) and then reconstituted with changed missions, new purview, and often a different workforce.

Management Education Best Practices

- Understand the sources and implications of change in your environment.
- Actively look for best practices and use them.
- Learn as much as you can about the business side of your agency.
- Do more general reading about management and leadership. Create a management bookshelf (including research reports, magazines, popular books, bibliographies, biographies, etc.) and actively continue your own informal education. "Rebirth yourself" continuously as a manager and as a leader.

Strategic Planning Best Practices

- HR needs to position itself as a strategic player, not an order taker of tactical directives. Raise your game to the strategic planning level and become a player in the formulation of strategy for your agency.
- In the short term, do whatever you need to do to meet the immediate need. In the long term, redesign HR and Human Capital organizations to be nimble, flexible, and have surge capacity. Base your plans on real data.
- Develop a strategic HR training cadre that understands ROI and can articulate it.

Performance Management Best Practices

- Use the new SES performance criteria to evaluate senior managers. It looks at some characteristics that indicate ability to handle flux.
- Move to a hybrid behavioral/outcomes based system for employee evaluation. Take advantage of the latest research in performance management to craft your system.
- Improve communication with employees. Give and seek feedback early and often throughout their careers.
- Move evaluation online and make it paperless. You don't have time to manage a paper process.



of the same technical skills (e.g., software applications knowledge, scientific skills) that are highly valuable to the private sector. Unfortunately, the HR systems that support the agencies through this transition are still mostly calibrated to the government workforce requirements of the past.

FIGURE 7: THE FLUX INDUCED KNOWLEDGE CHALLENGE



“We were never as constrained as we thought we were...”

It is ironic that the government is losing functional administrative expertise while gaining specialized technical expertise, if slowly. However, the demand for the older administrative skills is not declining as rapidly as the workforce is transitioning, and the new workers often do not have the skills or flexibility to adapt to either the “old” environment or to the next “new new” environment that will emerge as their skills become the norm.

Remedying a potentially huge “knowledge gap” is HR’s task.

Pressures will come and are coming from the operational side of agencies onto HR to mitigate these often unintended consequences of staff mix flux.

Overcoming the Sins of the Past

Government HR managers’ capacities to deal with constant change were seriously eroded in the 1990’s through a combination of downsizing, lack of hiring competitiveness, and a declining sense of the importance of public service. All of the respondents described efforts to change their agencies’ policies and procedures to meet the demands of a new environment, including additional and streamlined hiring and targeted recruitment of selected demographic groups (e.g., younger people and those with very specific mission-related skills).

Planning and the Political Appointees

HR directors see their agencies as “poor at planning for the future” in an environment where the mission was certain to change frequently in relatively predictable ways and from relatively predictable causes. This was most often attributed to the top echelon of political appointees in the agency who were described as having:

Relationships Best Practices

- Build relationships with top management immediately—these pay off when flux hits.
- Create relationships with Congressional staffers and other key influencers of policy.
- See yourself as part of a broad business and act accordingly. Make sure that your employees understand this concept, and that you are creating connections to your peers that reinforce the ROI of the agency.
- Gain an understanding of your vendors, their motivations, and their constraints. Don’t act as if profit is a dirty word. They may save you in a flux situation.
- Engage with the public. Listen to their needs and problems. Request their help—when several agencies faced flux, they built highly successful programs using volunteers to augment their own workforce.
- Teach your employees how to work with partnerships across the entire spectrum of relationships—internal to your agency, across multiple agencies, with commercial vendors, and with the public.



“They never learn, but why should they?”

- Political ambitions or a political agenda that was not necessarily in tune with the agency’s mission
- A slow learning curve (potentially longer than their likely tenure in office)
- An ideological or parochial outlook, and/or
- A poor grasp of the agency’s mission and functions, the rules under which the agency must operate, and the characteristics of the agency workforce

Political appointees are commonly seen as difficult to educate and arrogant about their ability to show the agency “how things are done in the business world.” **HR should bring the political appointees and the career civil servants together early and often for meaningful dialogue.** When political tensions run high and constant change is dominating agency activities, facilitate these interchanges with neutral parties.

Compensation Systems Best Practices

- Use *pay banding* to attract the kind of people who can deal with mission flux. Understand who those people are.
- Implement and leverage *pay-for-performance*.
- An in-depth look at compensation practices across the government is the subject of a forthcoming Pivotal Insight research report.

External Pressures

“We need to build a results-oriented culture. That’s what our leaders demand.”

There was a direct correlation between the ability of an agency to deal with flux and its commitment to strategic planning and metric-driven management—where strategy was explicit and use of metrics was strong, the agency was able to achieve its goals in spite of flux and without demoralizing its staff.

Several respondents noted that the existence of external mission flux pressures are irrelevant to them since their agency frequently ignores these pressures under the general attitude that “we know our mission; leave us alone.” While the agencies receive many external mandates from Congress, the White House, or watchdog and policy organizations such as GAO or OPM—so many in fact that they are sometimes physically unable to respond—they automatically prioritize many of those requirements lower than their existing missions on the basis of “*here is what we can do,*” “*here is what we will not do,*” and “*we know what is important, not you.*” The practice of *de facto nullification* of flux-related mandates is generally ignored by the creators of the mandate.

Change and Flux are here to stay

Change is a natural part of modern life. Mission flux is a phenomenon that has been a part of government service since World War II and will not disappear in the future. As the level of flux increases and the threshold between organic flux and permanent flux is breached more often, HR directors can use the best practices and insights highlighted throughout this document to shift flux **between current agendas and flux-driven agendas**. In one agency, a respondent reported mutually conflicting instructions about priority and scope when a flux event overrode an existing critical task – and a complete inability of HR management to sort out the situation. We recommend that agencies adopt the best practices in this report to avoid being frozen in place by the stress of change and flux.

Communicating About Flux

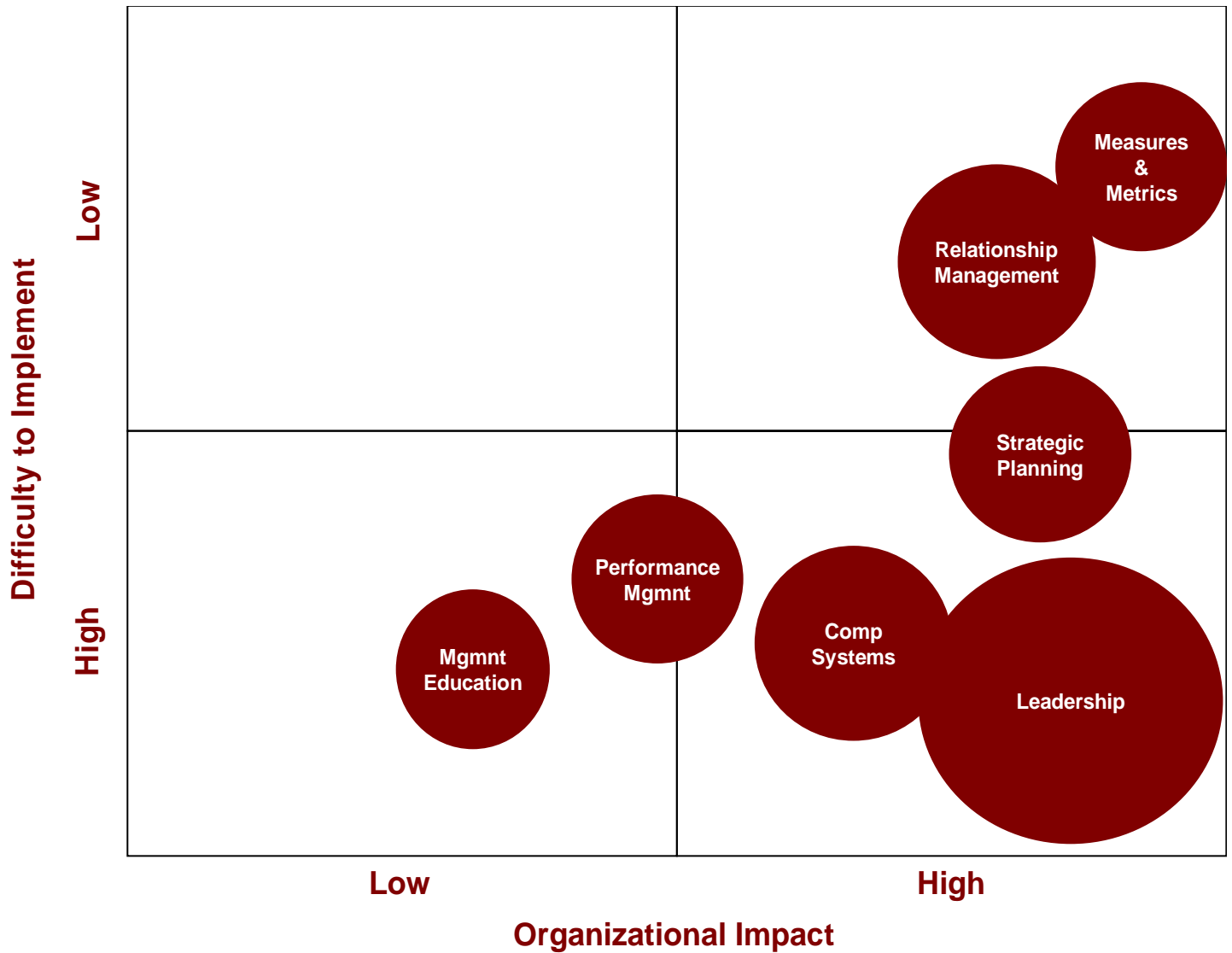
“Sell public service as an honorable career. Our agency must have the best and brightest to survive mission flux...”

The higher the organizational level of the respondent, the lower the level of mission flux-induced personal stress identified. This points to both communication and educational opportunities for government HR managers—**communicate with the lower echelons of the HR organization, and do a better job of understanding and setting expectations about mission flux responses and alternatives**. As an human capital manager, also communicate with the agency about the nature of flux, its existence, and the best practices for dealing with it.

Lower level staff expressed both ignorance of and confusion about what upper management desired when there was a conflict between current agendas and flux-driven agendas. In one agency, a respondent reported mutually conflicting instructions about priority and scope when a flux event overrode an existing critical task—and a complete inability of HR management to sort out the situation.

Pivotal Insight expects a period of very high flux associated with the national election beginning in July 2004 and continuing through July 2005. Government agencies should take steps now to prepare for mission flux and mitigate its effects.

FIGURE 9: Using Best Practices to Thrive in Times of Constant Change





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