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HUMAN CAPITAL

DOD's National Security Personnel System Faces Implementation Challenges



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Highlights of [GAO-05-730](#), a report to Congressional Committees

Why GAO Did This Study

The Department of Defense's (DOD) new personnel system—the National Security Personnel System (NSPS)—will have far-reaching implications not just for DOD, but for civil service reform across the federal government. The National Defense Authorization Act for Fiscal Year 2004 gave DOD significant authorities to redesign the rules, regulations, and processes that govern the way that more than 700,000 defense civilian employees are hired, compensated, promoted, and disciplined. In addition, NSPS could serve as a model for governmentwide transformation in human capital management. However, if not properly designed and effectively implemented, it could severely impede progress toward a more performance- and results-based system for the federal government as a whole.

This report (1) describes DOD's process to design its new personnel management system, (2) analyzes the extent to which DOD's process reflects key practices for successful transformations, and (3) identifies the most significant challenges DOD faces in implementing NSPS.

What GAO Recommends

GAO is making recommendations to improve the comprehensiveness of the NSPS communication strategy and to evaluate the impact of NSPS. DOD did not concur with one recommendation and partially concurred with two others.

www.gao.gov/cgi-bin/getrpt?GAO-05-730.

To view the full product, including the scope and methodology, click on the link above. For more information, contact Derek B. Stewart at (202) 512-5559 or stewartd@gao.gov.

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What GAO Found

DOD's current process to design its new personnel management system consists of four stages: (1) development of design options, (2) assessment of design options, (3) issuance of proposed regulations, and (4) a statutory public comment period, a meet and confer period with employee representatives, and a congressional notification period. DOD's initial design process was unrealistic and inappropriate. However, after a strategic reassessment, DOD adjusted its approach to reflect a more cautious and deliberative process that involved more stakeholders.

DOD's NSPS design process generally reflects four of six selected key practices for successful organizational transformations. First, DOD and OPM have developed a process to design the new personnel system that is supported by top leadership in both organizations. Second, from the outset, a set of guiding principles and key performance parameters have guided the NSPS design process. Third, DOD has a dedicated team in place to design and implement NSPS and manage the transformation process. Fourth, DOD has established a timeline, albeit ambitious, and implementation goals. The design process, however, is lacking in two other practices. First, DOD developed and implemented a written communication strategy document, but the strategy is not comprehensive. It does not identify all key internal stakeholders and their concerns, and does not tailor key messages to specific stakeholder groups. Failure to adequately consider a wide variety of people and cultural issues can lead to unsuccessful transformations. Second, while the process has involved employees through town hall meetings and other mechanisms, it has not included employee representatives on the working groups that drafted the design options. It should be noted that 10 federal labor unions 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. A successful transformation must provide for meaningful involvement by employees and their representatives to gain their input into and understanding of the changes that will occur.

DOD will face multiple implementation challenges. For example, in addition to the challenges of continuing to involve employees and other stakeholders and providing adequate resources to implement the system, DOD faces the challenges of ensuring an effective, ongoing two-way communication strategy and evaluating the new system. In recent testimony, GAO stated that DOD's communication strategy must include the active and visible involvement of a number of key players, including the Secretary of Defense, for successful implementation of the system. Moreover, DOD must ensure sustained and committed leadership after the system is fully implemented and the NSPS Senior Executive and the Program Executive Office transition out of existence. To provide sustained leadership attention to a range of business transformation initiatives, like NSPS, GAO recently recommended the creation of a chief management official at DOD.

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Abbreviations

DOD	Department of Defense
NSPS	National Security Personnel System
OIPT	Overarching Integrated Product Team
OPM	Office of Personnel Management
PEO	Program Executive Office

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July 14, 2005

Congressional Committees

The Department of Defense (DOD) is designing a new civilian personnel management system—the National Security Personnel System (NSPS)—that represents a huge undertaking for DOD, given its massive size and geographically and culturally diverse workforce. The National Defense Authorization Act for Fiscal Year 2004¹ gave DOD significant authorities to redesign the rules, regulations, and processes that govern the way that more than 700,000 defense civilian employees are hired, compensated, promoted, and disciplined. The Congress provided these authorities to DOD in response to the department’s position that the inflexibility of federal personnel systems was one of the most important constraints on its ability to attract, retain, reward, and develop a civilian workforce to meet the national security mission of the 21st century. In addition, DOD’s new personnel management system will have far-reaching implications, not just for DOD, but for civil service reform across the federal government. NSPS could serve as a model for governmentwide transformation in human capital management. However, if not properly designed and effectively implemented, NSPS could severely impede progress toward a more performance- and results-based personnel management system for the federal government as a whole.

Implementing large-scale change management initiatives, such as organizational transformations, can be a complex endeavor. Experience shows that failure to adequately address—and often even consider—a wide variety of personnel and cultural issues is at the heart of unsuccessful transformations. In our prior work, we identified nine key practices and lessons learned from major public and private sector organizational mergers, acquisitions, and transformations.² These practices are to (1) ensure top leadership drives the transformation, (2) establish a coherent mission and integrated strategic goals to guide the transformation, (3) focus on a key set of principles and priorities at the

¹Pub. L. No. 108-136, § 1101 (Nov. 24, 2003).

²See GAO, *Highlights of a GAO Forum: Mergers and Transformation: Lessons Learned for a Department of Homeland Security and Other Federal Agencies*, [GAO-03-293SP](#) (Washington, D.C.: Nov. 14, 2002) and *Results-Oriented Cultures: Implementation Steps to Assist Mergers and Organizational Transformations*, [GAO-03-669](#) (Washington, D.C.: July 2, 2003).

outset of the transformation, (4) set implementation goals and a timeline to build momentum and show progress from day one, (5) dedicate an implementation team to manage the transformation process, (6) use the performance management system to define responsibility and assure accountability for change, (7) establish a communication strategy to create shared expectations and report related progress, (8) involve employees to obtain their ideas and gain their ownership for the transformation, and (9) build a world-class organization.

In recent years, we have examined various aspects of DOD's human capital management of its civilian workforce. For example, we have reported on gaps in the defense components' civilian human capital plans, including the absence of results-oriented performance measures³ and the need for comprehensive strategic workforce plans and for data on the skills and competencies needed to successfully accomplish future missions.⁴ Prior to the enactment of NSPS legislation in November 2003, we raised a number of critical issues about the proposed system in a series of testimonies before three congressional committees.⁵ In recent testimony on DOD's transformation efforts, we indicated that DOD is challenged in its efforts to affect fundamental business management reform, such as NSPS, and indicated that our ongoing work continues to raise questions about DOD's chances of success.⁶ Our recently released report on the fiscal challenges the federal government faces in the 21st century identifies several issues regarding DOD's civilian workforce that are ripe for reexamination, including whether DOD is pursuing the design and implementation of NSPS

³GAO, *DOD Personnel: DOD Actions Needed to Strengthen Civilian Human Capital Strategic Planning and Integration with Military Personnel and Sourcing Decisions*, [GAO-03-475](#) (Washington, D.C.: Mar. 28, 2003).

⁴GAO, *DOD Civilian Personnel: Comprehensive Strategic Workforce Plans Needed*, [GAO-04-753](#) (Washington, D.C.: June 30, 2004).

⁵See GAO, *Defense Transformation: Preliminary Observations on DOD's Proposed Civilian Personnel Reforms*, [GAO-03-717T](#) (Washington, D.C.: Apr. 29, 2003); *Defense Transformation: DOD's Proposed Civilian Personnel System and Governmentwide Human Capital Reform*, [GAO-03-741T](#) (Washington, D.C.: May 1, 2003); and *Human Capital: Building on DOD's Reform Effort to Foster Governmentwide Improvements*, [GAO-03-851T](#) (Washington, D.C.: June 4, 2003).

⁶GAO, *Department of Defense: Further Actions Are Needed to Effectively Address Business Management Problems and Overcome Key Business Transformation Challenges*, [GAO-05-140T](#) (Washington, D.C.: Nov. 18, 2004).

in a manner that maximizes the chance of success.⁷ To address challenges inherent in business transformation reforms, such as NSPS, we recently recommended installing a chief management official at DOD.

In 2001, we designated strategic human capital management as a high-risk area because of the federal government's long-standing lack of a consistent strategic approach to marshaling, managing, and maintaining the human capital needed to maximize government performance and ensure its accountability.⁸ The strategic management of human capital was identified as a top priority of the President's Management Agenda in 2001, and the Congress also has sought to elevate human capital issues through a wide range of initiatives.⁹ Significant changes in how the federal workforce is managed are under way, but strategic human capital management remains high risk because federal human capital strategies are still not appropriately constituted to meet current and emerging challenges. These challenges include providing the sustained leadership essential to completing multiyear transformations, developing effective strategic workforce plans, creating effective hiring processes and using flexibilities and incentives to retain critical talent and reshape workforces, and reforming performance management systems so that pay and awards are linked to performance and organizational results.

We prepared this report under the Comptroller General's authority and are providing it to you to assist the Congress in evaluating federal human capital management systems. This report addresses DOD's efforts to design its new civilian personnel management system. Specifically, this report (1) describes DOD's process to design its personnel management system, (2)

⁷GAO, *21st Century Challenges: Reexamining the Base of the Federal Government*, GAO-05-325SP (Washington, D.C.: February 2005).

⁸GAO, *High-Risk Series: An Update*, GAO-05-207 (Washington, D.C.: January 2005), pp. 41-42.

⁹For example, the Congress has taken the following four steps to improve the federal government's human capital management systems: (1) created Chief Human Capital Officer positions in 24 federal agencies and a Council to advise and assist agency leaders in their human capital efforts; (2) provided several agencies—most notably the Departments of Homeland Security and Defense—with authorities to design and manage their human capital systems; (3) provided agencies across the executive branch with additional human capital flexibilities, such as specific hiring authorities; and (4) in conjunction with the administration, reformed the performance management and compensation systems for senior executives to better link the institutional, unit, and individual performance and reward systems.

analyzes the extent to which DOD's process reflects key practices for successful transformations, and (3) identifies the most significant challenges DOD faces in implementing NSPS.

To describe DOD's design process, we interviewed key agency officials at DOD and the Office of Personnel Management (OPM), as well as design team participants, DOD employee representatives, and experts in federal labor relations and federal adverse actions and personnel appeals systems. We also examined documents relevant to NSPS design efforts (e.g., focus group reports and town hall meeting schedules, requirements and other planning documents, and briefings on the results of various design options), and applicable laws and regulations governing federal civilian personnel management.¹⁰ Using six of the nine key practices for organizational transformations from our prior work, we determined the extent to which DOD's NSPS design process incorporated key practices of successful transformations. The six key practices that we used are: (1) ensuring that top leadership drives the transformation, (2) focusing on a key set of principles and priorities, (3) setting implementation goals and a timeline, (4) dedicating an implementation team, (5) establishing a communication strategy, and (6) involving employees. We did not evaluate the key practices "establishing a coherent mission and integrated strategic goals to guide the transformation" because in March 2003, we reported on the department's strategic planning efforts for civilian personnel and assessed whether DOD and selected defense components' goals and objectives contained in strategic plans for civilian personnel were aligned with overarching missions of the organizations.¹¹ In addition, we did not evaluate the key practices of "using a performance management system to define responsibility and assure accountability for change" and "building a world-class organization" because DOD has considerable work ahead to design and implement NSPS and assess the overall system. To identify the most significant challenges DOD faced in developing NSPS, we interviewed key DOD, OPM, and other federal agency officials and DOD labor union representatives (referred to as employee representatives throughout this report) and reviewed and analyzed relevant documents.

We conducted our review from October 2004 through June 2005 in accordance with generally accepted government auditing standards.

¹⁰Pub. L. No. 108-136, § 1101 (Nov. 24, 2003) and relevant provisions of Title 5, U.S. Code.

¹¹GAO-03-475.

Additional information on our scope and methodology can be found in appendix I. A list of recent GAO products related to DOD's civilian personnel management is included at the end of this report.

Results in Brief

DOD's current process to design its new personnel management system consists of four stages: (1) development of design options, (2) assessment of design options, (3) issuance of proposed regulations, and (4) a statutory public comment period, a meet and confer period with employee representatives, and a congressional notification period. DOD's initial process to design NSPS was unrealistic and inappropriate because of a broad range of legal, policy, and technical issues that, according to OPM, needed to be addressed. However, after a strategic reassessment of the assumptions, roles, strategies, and schedules for the new system, DOD adjusted its approach to reflect a more cautious and deliberative process that involved more stakeholders, including OPM. Under the adjusted approach, senior experts representing various disciplines within DOD, OPM, and the Office of Management and Budget established a management framework to guide the design and implementation of NSPS, including a NSPS Senior Executive and a Program Executive Office (PEO), which was based on DOD's acquisition management model. In the first stage of the design process, the PEO formed six multidisciplinary design teams (referred to as working groups) that reviewed research on human capital approaches, received input from employees and employee representatives, and developed a range of potential design options. Second, the design options were assessed by an advisory group of senior DOD and OPM executives, who made recommendations for proposed regulations to the NSPS Senior Executive. The NSPS Senior Executive then submitted his recommendations to the Secretary of Defense and the Director of OPM for consideration as proposed NSPS regulations. Third, the Secretary and Director proposed draft NSPS regulations and jointly released them for public comment in the *Federal Register* on February 14, 2005. Fourth, the proposed regulations were subjected to a statutory 30-day public comment period, after which DOD held a 30-day meet and confer period with employee representatives. As allowed by statute, DOD extended the meet and confer process. Lastly, DOD is to engage in a 30-day congressional notification period.

DOD's NSPS design process generally reflects four of six selected key practices for successful transformations. First, DOD and OPM have developed a process to design the new personnel system that is supported by top leadership in both organizations. Top leadership that is clearly

involved in transformations provides stability and sets the direction, pace, and tone for the transformation. Second, from the outset, a set of guiding principles and key performance parameters have guided the NSPS design process. These principles and performance parameters can serve as core values for human capital management at DOD. Third, DOD has a dedicated team in place to design and implement NSPS and manage the transformation process. Dedicating an implementation team is important to ensuring that the day-to-day management of the transformation receives the focused, full-time attention needed to be successful. Fourth, DOD has established a timeline, albeit ambitious, and implementation goals for its new personnel system. While it is appropriate to develop and integrate NSPS within the department in a quick and seamless manner, moving too quickly or prematurely can significantly raise the risk of doing it wrong. Having an ambitious timeline is reasonable only insofar as it does not impact the quality of the human capital management system that is created. The design process, however, is lacking in two other practices. First, DOD developed and implemented a written communication strategy document that provides a structured and planned approach to communicate timely and consistent information about NSPS, but the strategy is not comprehensive. For example, the written communication strategy document does not identify all key internal stakeholders and their concerns. Failure to adequately consider a wide variety of people and cultural issues can lead to unsuccessful transformations. Furthermore, the written communication strategy document does not tailor key messages to specific stakeholder groups of employees, such as DOD human resource personnel, executives and flag officers, and supervisors and managers, even though these employee groups may have divergent interests and specific information needs. Tailoring information is important because it helps employees feel that their concerns are specifically addressed. An organization must develop a comprehensive communications strategy that reaches out to employees, customers, and stakeholders and seeks to genuinely engage them in the transformation process. Second, while the process involved employees through town hall meetings and other mechanisms, it has not included employee representatives on the working groups that drafted the design options for the new system. It should be noted that 10 federal labor unions 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. The composition of the team is important because it helps employees see that they are being represented and that their views are being considered in the decision-making process. A successful transformation must provide for meaningful involvement by employees and

their representatives to, among other things, gain their input into and understanding of the changes that will occur in the organization.

As DOD implements its new personnel management system, it will face multiple challenges in both the early and later stages of implementation.

Early Implementation Challenges

- *Establishing an overall communications strategy.* Ensuring an effective and ongoing two-way communications strategy that creates shared expectations about, and reports related progress on, the implementation of the new system is a key practice of a change management initiative. DOD acknowledges that a comprehensive outreach and communications strategy is essential for designing and implementing NSPS, but the proposed regulations do not identify a process for the continuing involvement of employees during the implementation of NSPS.
- *Providing adequate resources for implementing the new system.* Another challenge facing DOD is to allocate necessary resources to ensure sufficient implementation, training, and evaluation of the new system. Implementation of NSPS will result in costs for, among other things, developing and delivering training, modifying automated personnel information systems, and starting up and sustaining the National Security Labor Relations Board. DOD estimates that the overall cost associated with implementing NSPS will be approximately \$158 million through fiscal year 2008. However, it has not completed an implementation plan for NSPS, including an information technology plan and a training plan; thus, the full extent of the resources needed to implement NSPS may not be well understood at this time.
- *Involving employees and other stakeholders in implementing the system.* DOD faces a significant challenge in involving—and continuing to involve—its employees, employee representatives, and other stakeholders in implementing NSPS. For example, while providing for continuing collaboration with employee representatives, DOD does not identify a process for the continuing involvement of employees in the implementation of NSPS. 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 in the fairness of the system and increases their understanding and ownership of organizational goals and objectives.

This involvement must be active and continuing if employees are to gain a sense of understanding and ownership of the changes that are being made.

Later Implementation Challenges

- *Ensuring sustained and committed leadership.* As DOD implements this large-scale organizational change, its challenge will be to elevate, integrate, and institutionalize leadership responsibility for NSPS to ensure its success. DOD may face a future leadership challenge when the NSPS Senior Executive and the PEO transition out of existence once NSPS is fully implemented in 2009. According to a PEO official, at that time, ongoing implementation responsibility for NSPS would come under the Civilian Personnel Management Service, which is part of the Office of the Under Secretary of Defense for Personnel and Readiness. One way to ensure sustained leadership over NSPS (and all DOD's business transformation efforts) would be to create the position of Deputy Secretary of Defense for Management, who would serve as the department's chief management official. This position would elevate, integrate, and institutionalize within DOD the high-level attention essential for ensuring that a strategic business transformation plan such as NSPS—as well as the business policies, procedures, systems, and processes that are necessary for successfully implementing and sustaining overall business transformation efforts—are implemented and sustained.
- *Evaluating the new personnel management system.* DOD's ongoing challenge will be to continually review and revise NSPS based on data-driven lessons learned and changing needs in the work environment. Evaluating the impact of NSPS provides DOD managers with more authority and responsibility for managing the new system. Collecting and analyzing data will be essential for measuring the effectiveness of these approaches in support of DOD's mission and goals. Adequate evaluation procedures of NSPS would facilitate better congressional oversight; allow for any midcourse corrections; assist DOD in benchmarking its progress with other efforts; and help document best practices and lessons learned with employees, stakeholders, other federal agencies, and the public. DOD is planning to establish procedures to evaluate the implementation of its new personnel management system.

We are making three recommendations to improve the comprehensiveness of the NSPS communication strategy and to evaluate the impact of NSPS.

DOD provided written comments on a draft of this report that did not concur with one recommendation and partially concurred with two others. In not concurring with our recommendation to identify all key internal stakeholders and their concerns, the department stated that, among other things, it adopted a multifaceted communications outreach strategy to inform and involve key stakeholders. However, our review of DOD's written communication strategy document showed that not all key internal stakeholders and their concerns were identified. In partially concurring with our recommendation to customize key messages to be delivered to groups of employees to meet their divergent needs, the department noted that, among other things, it recently released NSPS brochures tailored to key internal stakeholders. Our review of these brochures showed that they do in fact tailor and customize key messages for some, but not all, employee groups. Furthermore, we believe that DOD's written communication strategy document should serve as the single, comprehensive source of DOD's key messages, which are tailored to and customized for all employee groups. In partially concurring with our recommendation to develop procedures for evaluating NSPS that contain results-oriented performance measures and reporting requirements, the department stated that it has begun developing an evaluation plan and will ensure that the plan contains results-oriented performance measures and reporting mechanisms. If the department follows through with this effort, we believe that it will be responsive to our recommendation.

Background

The National Defense Authorization Act for Fiscal Year 2004¹² provided DOD with authority to establish (1) a pay and performance management system, (2) an appeals process, and (3) a labor relations system—which together comprise NSPS. The legislation permits significant flexibility for designing NSPS, allowing for a new framework of rules, regulations, and processes to govern how defense civilian employees are hired, compensated, promoted, and disciplined. The law granted DOD certain exemptions from laws governing federal civilian personnel management found in Title 5 of the U.S. Code.¹³ The Congress provided these flexibilities in response to DOD's position that the inflexibility of federal personnel

¹²Pub. L. No. 108-136, § 1101 (Nov. 24, 2003).

¹³The Congress did not exempt DOD from provisions of Title 5, U.S. Code, pertaining to veterans' preference, merit systems principles, prohibited personnel practices, and equal employment opportunity.

systems was one of the most important constraints to the department's ability to attract, retain, reward, and develop a civilian workforce to meet the national security mission of the 21st century.

Initial NSPS Design Process

The initial proposals for NSPS were developed by DOD and were based on a 2002 compilation of best practices generated by demonstration projects that experimented with different personnel management concepts. After these proposals were sent to OPM for review, OPM identified a broad range of legal, policy, and technical concerns, and also noted that the labor-management relations proposal was developed without any prior OPM involvement or union input. OPM also indicated that the initial proposals had been crafted with only token employee involvement, and it noted a high level of concern expressed by congressional oversight committees, stakeholders, and constituent groups. In addition to OPM, assistant secretaries for the military services' manpower organizations also expressed concerns that NSPS as designed would not work.

Subsequently, the Secretary of Defense established a 3-week reassessment of system requirements, process issues, personnel and communication strategies, and program schedules and milestones. The Overarching Integrated Product Team (OIPT), an advisory group co-chaired by the Principal Deputy Under Secretary of Defense for Personnel and Readiness and OPM, and including the military services' assistant secretaries for manpower and reserve affairs, oversaw this reassessment.

Employees Covered by NSPS

NSPS labor relations provisions will be implemented across the entire department once final NSPS regulations are issued and effective, and they will apply to all DOD employees currently covered by the labor relations provisions of Title 5, U.S. Code, Chapter 71. In contrast, NSPS regulations governing the new pay and performance management system and appeals process will be phased in and will not apply to some employees, as stipulated by law (e.g., intelligence personnel and employees in DOD's laboratory demonstration organizations). The authorizing legislation stipulates that these latter regulations may not apply to organizations with more than 300,000 employees until the Secretary of Defense determines and certifies that the department has a performance management system in place that meets the statutory criteria established for NSPS.

The first phase of implementation—Spiral One—will provide the basis for this certification prior to the deployment of Spiral Two. Spiral One includes

approximately 300,000 general schedule defense civilian employees, who will be converted to the new system over a period of 18 months. DOD currently plans to initiate Spiral One, beginning in early fiscal year 2006. Spiral Two will include the remainder of DOD's eligible workforce, including wage-grade employees. Spiral Three will apply to demonstration laboratory employees no earlier than October 1, 2008, and then only to the extent the Secretary of Defense determines that NSPS provides greater personnel management flexibilities to the laboratories than those currently implemented.

DOD's Employee Unions

According to DOD, almost two-thirds of its more than 700,000 civilian employees are represented by 43 labor unions, including over 1,500 separate bargaining units. Table 1 in appendix II lists current DOD labor unions, the estimated number of employees represented by each union, and which unions belong to the United Defense Workers Coalition.¹⁴ According to a DOD official, since 2000, defense civilian employee membership in DOD's labor unions has remained about the same; however, the number of unions has dropped from about 60 unions to the current 43 unions, primarily the result of mergers and consolidation among the unions.

Practices and Implementation Steps for Mergers and Transformations

In our prior work, we identified key practices and lessons learned from major public and private sector organizational mergers, acquisitions, and transformations.¹⁵ This work was undertaken to help federal agencies implement successful cultural transformations in response to governance challenges. While no two mergers or transformation efforts are exactly alike and the "best" approach depends on a variety of factors specific to each context, there was general agreement on a number of key practices, which are as follows:

1. *Ensure top leadership drives the transformation.* Leadership must set the direction, pace, and tone and provide a clear, consistent rationale that brings everyone together behind a single mission.

¹⁴ The United Defense Workers Coalition currently represents 36 of the 43 DOD labor unions. The Coalition was formed in February 2004 to more effectively represent the interests of its members during NSPS design meetings with DOD officials. The remaining unions, for various reasons, decided to remain independent of the Coalition.

¹⁵ [GAO-03-293SP](#) and [GAO-03-669](#).

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2. *Focus on a key set of principles and priorities at the outset of the transformation.* A clear set of principles and priorities serves as a framework to help the organization create a new culture and drive employee behaviors.
 3. *Set implementation goals and a timeline to build momentum and show progress from day one.* Goals and a timeline are essential because the transformation could take years to complete.
 4. *Dedicate an implementation team to manage the transformation process.* A strong and stable team is important to ensure that the transformation receives the needed attention to be sustained and successful.
 5. *Establish a communication strategy to create shared expectations and report related progress.* The strategy must reach out to employees, customers, and stakeholders and engage them in a two-way exchange.
 6. *Involve employees to obtain their ideas and gain their ownership for the transformation.* Employee involvement strengthens the process and allows them to share their experiences and shape policies.

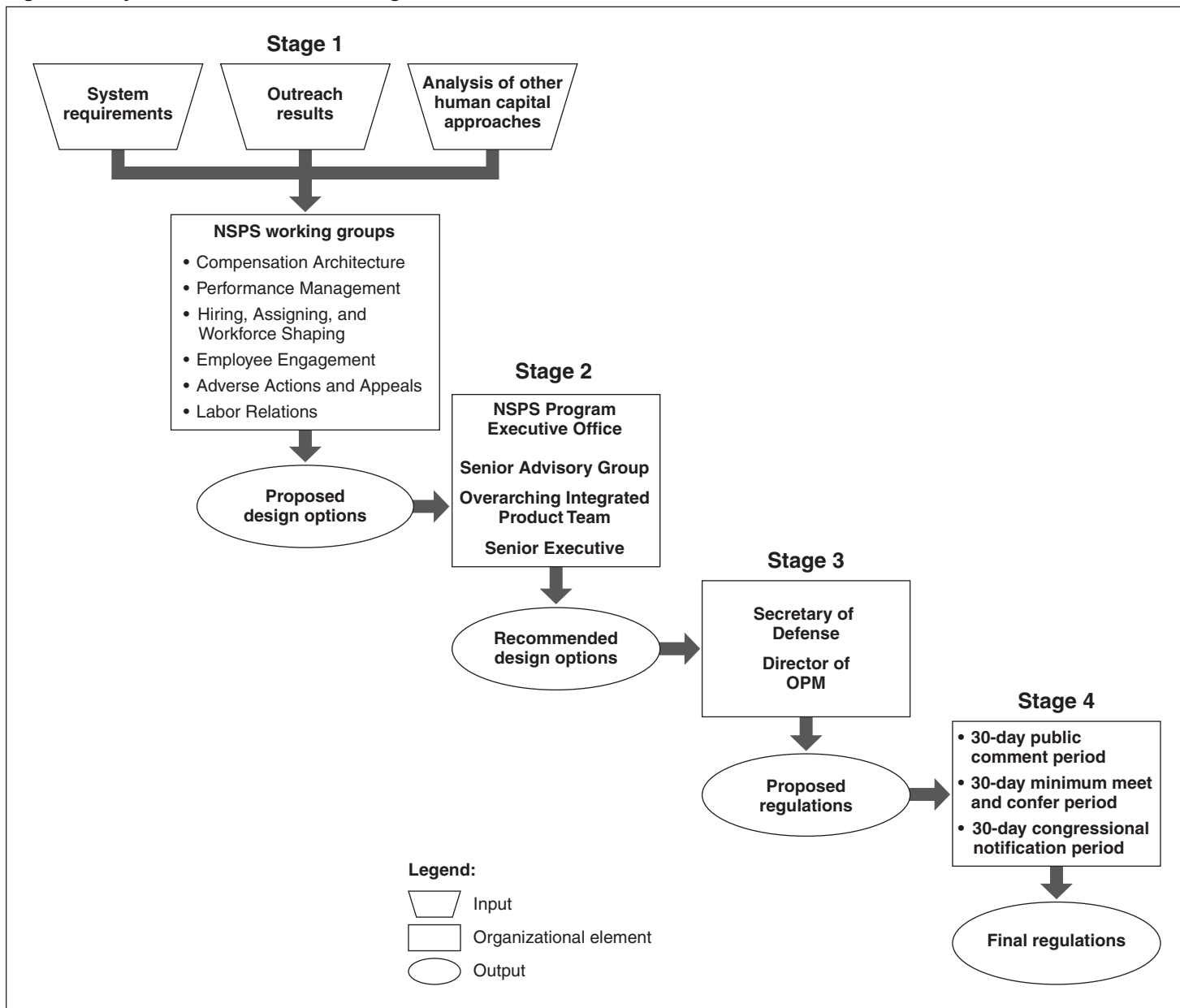
NSPS Design Process Evolved Into a Phased Approach

DOD's current process to design NSPS is divided into four stages: (1) development of options for the personnel system, (2) assessment of the options and translation into recommended proposals, (3) issuance of proposed regulations, and (4) a statutory public comment period, a meet and confer period with employee representatives, and a congressional notification period. As discussed earlier, DOD's initial process to design NSPS was unrealistic and inappropriate. However, after a 3-week reassessment, DOD adjusted its approach and attempted to create a more cautious and deliberate process that would involve all of the key stakeholders, including OPM. At this time, DOD adopted a management framework to guide the design of NSPS based on DOD's acquisition management model and adopted an analytical framework to identify system requirements as well as a phased approach to implementing the new system, also based on the acquisition management model.¹⁶ Figure 1

¹⁶The acquisition management model is contained in DOD Directive 5000.1 and DOD Instruction 5000.2, *Operation of the Defense Acquisition System* (May 12, 2003).

presents the four stages in DOD's current process in terms of the key organizational elements, inputs, and outputs.

Figure 1: Key Elements of the NSPS Design Process



Source: GAO analysis based on DOD information.

In the first stage, the NSPS PEO¹⁷ convened six multidisciplinary design teams—called working groups—that were functionally aligned to cover the following personnel program areas: (1) compensation (classification and pay banding); (2) performance management; (3) hiring, assignment, pay setting, and workforce shaping; (4) employee engagement; (5) adverse action and appeals; and (6) labor relations. The working groups were co-chaired by DOD and OPM, and they were largely staffed from the defense components. The working groups reviewed and analyzed data from alternative federal personnel systems and laboratory and acquisition demonstration projects, research materials from the Department of Homeland Security’s personnel system design process, and private industry practices. According to DOD, the working groups also received input and participation from DOD human resources practitioners, attorneys, financial management experts, and equal employment opportunity specialists. The working groups also reviewed input gathered from DOD employee and employee representatives. The PEO was responsible for conducting outreach to employees and employee representatives, in conjunction with NSPS program managers in the DOD components;¹⁸ their efforts included 106 focus groups, more than 50 town hall meetings worldwide, and 10 meetings with DOD employee representatives. The working groups provided a broad range of options for the OIPT in September and October 2004; they did not prioritize the design options.

In the second stage of the design process, OIPT assessed the design options, and then submitted them to the NSPS Senior Executive in November 2004. The Senior Executive—appointed by the Secretary of Defense to design and implement NSPS on his behalf—reviewed and approved the design options and presented them as proposed enabling regulations to submit to the Secretary of Defense and the Director of OPM for a decision. Throughout this period, the OIPT, PEO, and working group members continued to participate, both in drafting and reviewing the proposed regulations.

In the third stage, the Secretary of Defense and Director of OPM reviewed the proposals submitted by the NSPS Senior Executive. After finalizing the

¹⁷The PEO is the policy and program management office responsible for conducting the design, planning development, implementation, and assessment of NSPS.

¹⁸Component program managers are dual-hatted under their parent components and the NSPS PEO.

proposed regulations, the Secretary and Director jointly released them for public comment in the *Federal Register* on February 14, 2005.

In the fourth stage, the NSPS proposed regulations were subjected to a statutory 30-day public comment period, after which DOD held a 30-day meet and confer period (which began on April 18, 2005), with employee representatives to discuss their views; the meetings were facilitated by the Federal Mediation and Conciliation Service. As allowed by statute, DOD extended the meet and confer process. Lastly, DOD is to engage in a 30-day congressional notification period. As called for in the authorizing legislation, the proposed regulations are subject to change based on consideration of formal comments received during the 30-day public comment period and the results of a 30-day meet and confer process with employee representatives. As provided for in the authorizing legislation, DOD can immediately implement those parts of the regulations upon which they have reached agreement with employee representatives. DOD can implement those parts of the proposed regulations not agreed to only after another 30 calendar days have elapsed after (1) notifying the Congress of the decision to proceed with implementation and (2) explaining why implementation is appropriate.

DOD's NSPS Design Process Generally Reflects Practices of Successful Transformations, but Some Key Practices Are Lacking

DOD's NSPS design process generally reflects four of six key practices we identified that have consistently been found at the center of successful transformations. The design process generally reflects the following four practices. First, DOD and OPM have developed a process to design the new personnel system that is supported by top leadership in both organizations. Second, from the outset, a set of guiding principles have guided the NSPS design process. Third, DOD has a dedicated team in place to design and implement NSPS and manage the transformation process, to include program managers from DOD components. Fourth, DOD has established a timeline, albeit ambitious, and implementation goals for implementing its new personnel system. The design process, however, does not fully reflect two other key practices. First, DOD developed and implemented a written communication strategy document, but it is not comprehensive. Second, while the NSPS design has involved employees through town hall meetings and other mechanisms, it has not included employee representatives on the working groups that drafted the design options for the new system.

Top DOD and OPM Leadership Drives Human Capital Transformation

DOD and OPM have developed a process to design DOD's new human capital resources management system that is supported by top leadership in both organizations. As previously discussed, DOD's initial process to design NSPS was unrealistic and inappropriate; however, after a strategic reassessment, DOD adjusted its approach to reflect a more cautious, deliberative process that involved top DOD and OPM leadership. In our report on key practices for successful transformations, we noted that top leadership that is clearly and personally involved in transformations provides stability and an identifiable source for employees to rally around during tumultuous times.¹⁹ In addition, we noted that leadership should set the direction, pace, and tone for the transformation. In our prior reports and testimonies, we observed that top leadership must play a critical role in creating and sustaining high-performing organizations.²⁰

Senior leaders from DOD and OPM are directly involved in the NSPS design process. For example, the Secretary of Defense tasked the Secretary of the Navy to be the NSPS Senior Executive overseeing the implementation of NSPS. Also, the Under Secretary of Defense for Personnel and Readiness and the NSPS Senior Executive provided an open letter to all DOD civilian employees stating that DOD is tasked to design a transformation system for the department's civilian employees that supports its national security mission while treating workers fairly and protecting their rights. In addition, the Principal Deputy Under Secretary of Defense for Personnel and Readiness, the Assistant Secretaries for Manpower and Reserve Affairs from each military service, and the OPM Senior Advisor to the Director for the Department of Defense are members of an integrated executive management team—the OIPT—that, among other things, provides overall policy and strategic advice on the implementation of NSPS. Similarly, senior-level executives from DOD and OPM are members of a group, known as the Senior Advisory Group, that provides advice on general NSPS conceptual, strategic, and implementation issues. Finally, senior leaders from DOD and the military components participated in town hall meetings

¹⁹[GAO-03-669](#).

²⁰See *GAO Managing for Results: Federal Managers' Views Show Need for Ensuring Top Leadership Skills*, [GAO-01-127](#) (Washington, D.C.: Oct. 20, 2000); *Management Reform: Using the Results Act and Quality Management to Improve Federal Performance*, [GAO/T-GGD-99-151](#) (Washington, D.C.: July 29, 1999); and *Management Reform: Elements of Successful Improvement Initiatives*, [GAO/T-GGD-00-26](#) (Washington, D.C.: Oct. 15, 1999).

at DOD installations worldwide to discuss the concept and design elements of NSPS.

Experience shows that successful major change management initiatives in large private and public sector organizations can often take at least 5 to 7 years. This length of time and the frequent turnover of political leadership in the federal government have often made it difficult to obtain the sustained and inspired attention to make needed changes. The development of the position of Deputy Secretary of Defense for Management, who would act as DOD's Chief Management Officer, is essential to elevate, integrate, and institutionalize responsibility for the success of DOD's overall business transformation efforts, including its new personnel management system.

As DOD embarks on a large-scale change initiative, such as DOD's new personnel management system, ensuring sustained and committed leadership is crucial in developing a vision, initiating organizational change, maintaining open communications, and creating an environment that is receptive to innovation. Without the clear and demonstrated commitment of agency top leadership, organizational cultures will not be transformed and new visions and ways of doing business will not take root.

Guiding Principles and Key Performance Parameters Steer Design Process

During the strategic reassessment of the NSPS design process, DOD and OPM senior leadership developed a set of guiding principles to direct efforts throughout all phases of NSPS development. We have reported that in bringing together the originating components, the new organization must have a clear set of principles and priorities that serve as a framework to help the organization create a new culture and drive employee behaviors.²¹ Principles are the core values of the new organization and can serve as an anchor that remain valid and enduring while organizations, personnel, programs, and processes may change. Focusing on these principles and priorities helps the organization maintain its drive towards achieving the goals of the new transformation.

According to DOD, its guiding principles translate and communicate the broad requirements and priorities outlined in the legislation into concise,

²¹ [GAO-03-669](#).

understandable requirements that underscore the department's purpose and intent in creating NSPS. The NSPS guiding principles are

- put mission first—support national security goals and strategic objectives,
- respect the individual—protect rights guaranteed by law,
- value talent, performance, leadership and commitment to public service,
- be flexible, understandable, credible, responsive, and executable,
- ensure accountability at all levels,
- balance personnel interoperability with unique mission requirements, and
- be competitive and cost effective.

Senior DOD and OPM leadership also approved a set of key performance parameters, which define the minimum requirements or attributes of NSPS. The key performance parameters are

- high-performing workforce and management: employees and supervisors are compensated and retained based on performance and contribution to mission,
- agile and responsive workforce management: workforce can be easily sized, shaped, and deployed to meet changing mission requirements,
- credible and trusted: system assures openness, clarity, accountability, and merit principles,
- fiscally sound: aggregate increases in civilian payroll, at the appropriations level, will conform to Office of Management and Budget fiscal guidance, and managers will have flexibility to manage to budget,
- supporting infrastructure: information technology support, and training and change management plans are available and funded, and
- schedule: NSPS will be operational and demonstrate success prior to November 2009.

These principles and key performance parameters can serve as core values for human capital management at DOD—values that define the attributes that are intrinsically important to what the organization does and how it will do it. Furthermore, they represent the institutional beliefs and boundaries that are essential to building a new culture for the organization. Finally, they appropriately identify the need to support the mission and employees of the department, protect basic civil service principles, and hold employees accountable for performance.

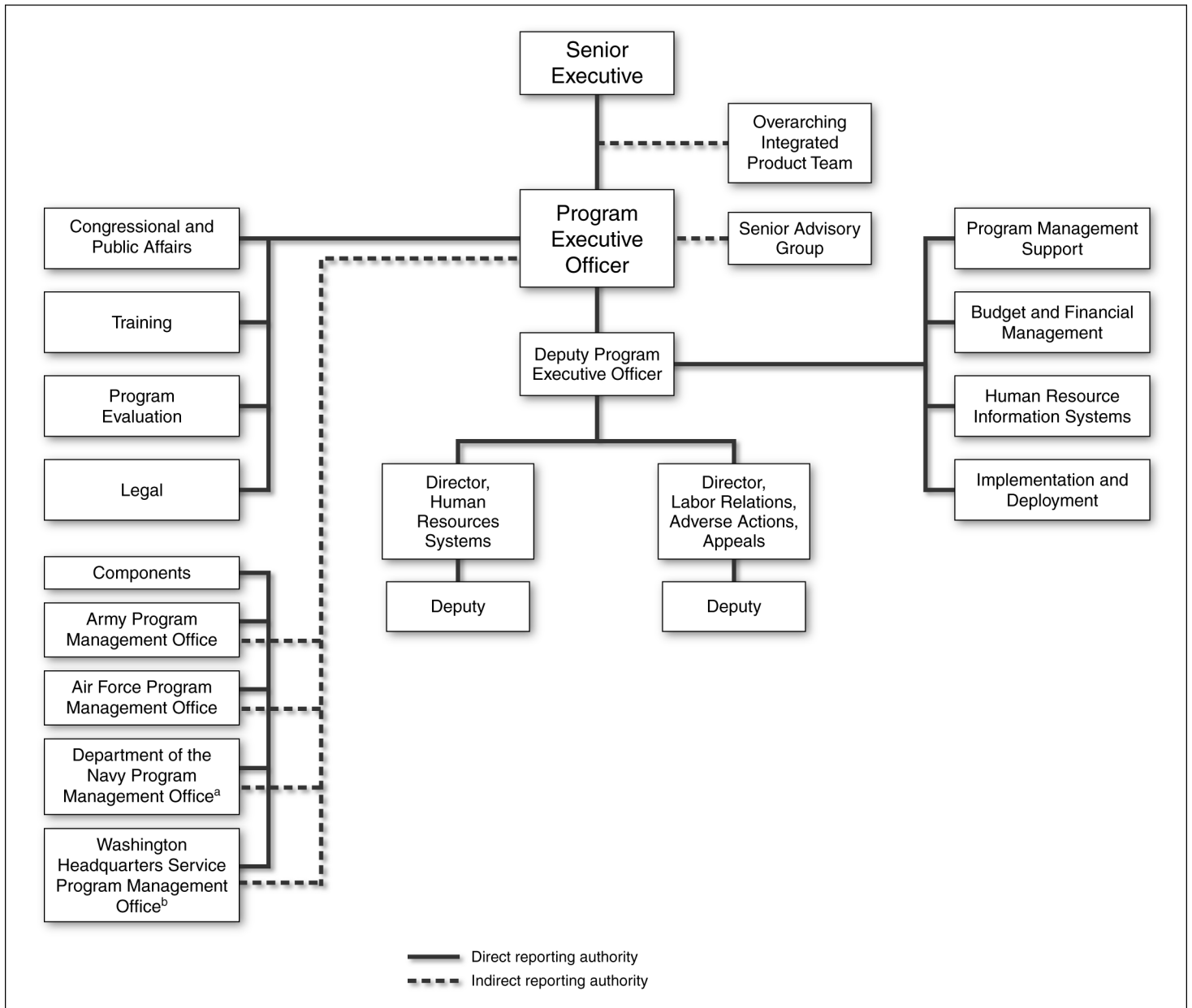
Team Established to Manage the NSPS Design and Implementation Process

As previously discussed, DOD established a team to design and implement NSPS and manage the transformation process. Dedicating a strong and stable design and implementation team that will be responsible for the transformation's day-to-day management is important to ensuring that it receives the focused, full-time attention needed to be sustained and successful. Specifically, the design and implementation team is important to ensuring that various change initiatives are sequenced and implemented in a coherent and integrated way. Because a transformation process is a massive undertaking, the implementation team must have a "cadre of champions" to ensure that changes are thoroughly implemented and sustained over time. Establishing networks can help the design and implementation team conduct the day-to-day activities of the merger or transformation and help ensure that efforts are coordinated and integrated. To be most effective, establishing clearly defined roles and responsibilities within this network assigns accountability for parts of the implementation process, helps reach agreement on work priorities, and builds a code of conduct that will help all teams to work effectively.

The Secretary of Defense appointed a NSPS Senior Executive to, among other things, design, develop, and establish NSPS. Under the Senior Executive's authority, the PEO was established as the central policy and program office to conduct the design, planning and development, deployment, assessment, and full implementation of NSPS. Specifically, its responsibilities include designing the labor relations, appeals, and human resource/pay for performance systems; developing a communication strategy and training strategy; modifying personnel information technology; and drafting joint enabling regulations and internal DOD implementing regulations. As the central DOD-wide program office, the PEO provides direction and oversight of the components' NSPS program managers who are dual-hatted under their parent component and the NSPS PEO. These program managers also serve as their components' action officers and participate in the development of NSPS and plan and

implement the deployment of NSPS. Figure 2 shows the organization of the NSPS design and implementation team.

Figure 2: NSPS Design and Implementation Team Organization



Source: DOD.

^aIncludes the U.S. Navy and the U.S. Marine Corps.

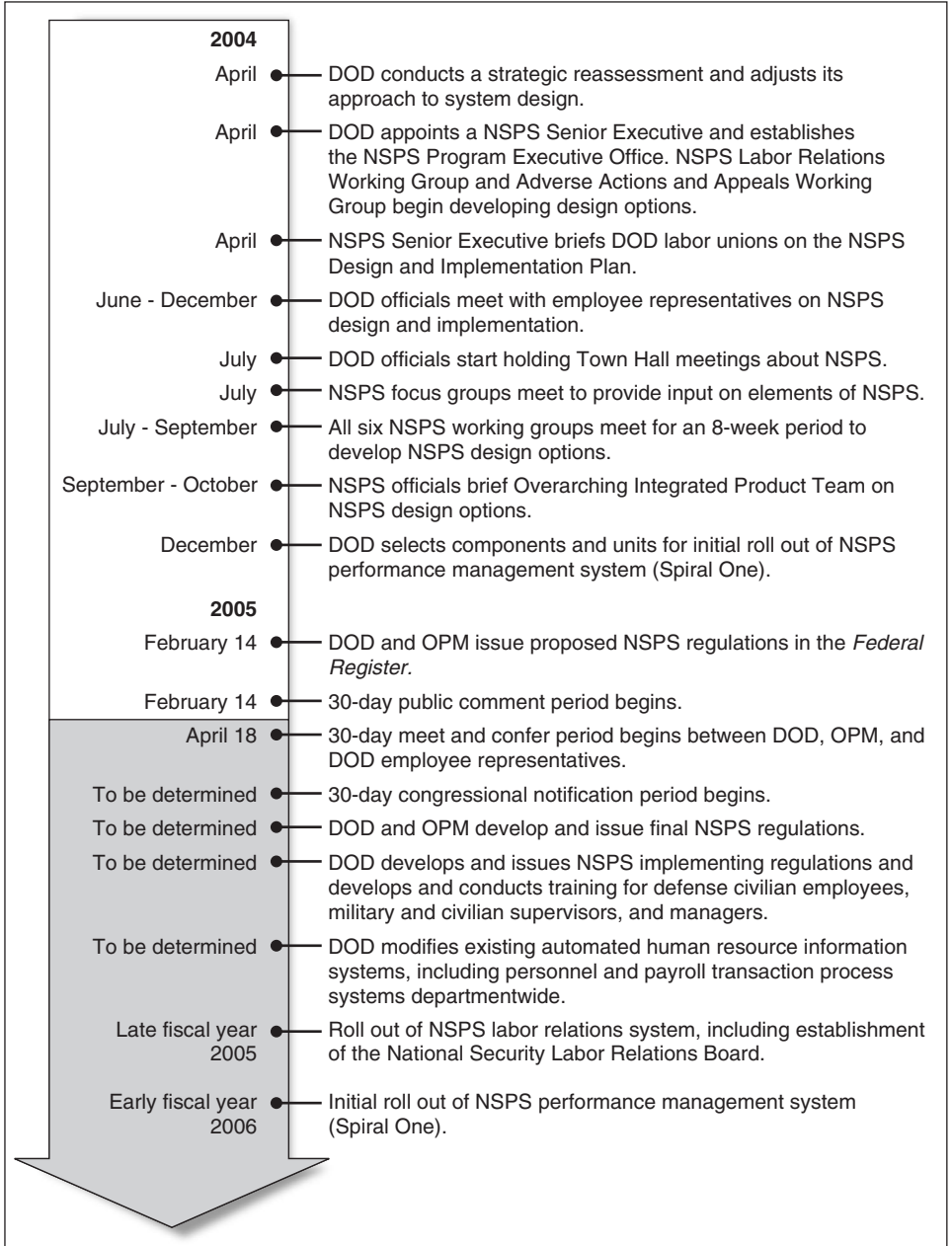
^bRepresents defense agencies, DOD field activities, the Joint Chiefs of Staff, Office of the Inspector General, U.S. Court of Appeals for the Armed Services, and Office of the Secretary of Defense.

Ambitious Timeline and Implementation Goals Established

DOD established an ambitious 18-month timeline and implementation goals for completing the design process and beginning the phased implementation of NSPS. We have reported that successful practices of mergers and transformations have noted that the establishment of a timeline with specific milestones allows stakeholders to track the organization's progress towards its goals.²² Figure 3 shows the current timeline and implementation goals for designing and implementing NSPS.

²²GAO-03-669.

Figure 3: NSPS Timeline and Implementation Goals



Source: GAO analysis based on DOD information.

Although DOD established a clear timeline with specific implementation goals, they have allotted about 6 months for completing the design process and beginning implementation of NSPS (as shown in the shaded area of figure 3). Specifically, the authorizing legislation provides for a meet and confer process for not less than 30 calendar days with the employee representatives in order to attempt to reach agreement. However, as allowed by statute, DOD extended the 30-day meet and confer period with employee representatives. After the meet and confer process is concluded, the Secretary of Defense must notify the Congress of DOD's intent to implement any portions of the proposal where agreement has not been reached, but only after 30 calendar days have elapsed after notifying the Congress of the decision to implement those provisions. In addition, DOD and OPM must jointly develop and issue the final NSPS regulations, which must go through an interagency coordination process before they are published in the *Federal Register*. Also, DOD must develop and conduct in-depth and varied training for its civilian employees, military and civilian supervisors, and managers. Moreover, DOD must modify its existing automated human resource information systems, including personnel and payroll transaction process systems departmentwide, before NSPS can become operational. Finally, DOD plans to roll out the NSPS labor relations system and establish the National Security Labor Relations Board before the initial roll out of the NSPS performance management system in early fiscal year 2006. The board must be staffed with both board members as well as about 100 professional staff, which will support the board.

A large-scale organizational change initiative, such as DOD's new personnel management system, is a substantial commitment that will take years before it is completed, and therefore must be carefully and closely managed. As a result, it is essential to establish and track implementation goals and establish a timeline to pinpoint performance shortfalls and gaps and suggest midcourse corrections. While it is appropriate to develop and integrate personnel management systems within the department in a quick and seamless manner, moving too quickly or prematurely can significantly raise the risk of doing it wrong. Having an ambitious timeline is reasonable only insofar as it does not impact the quality of the human capital management system that is created. In recent hearings on the NSPS proposed regulations, we testified that DOD's new personnel management system will have far-reaching implications for the management of the

department and for civil service reform across the federal government.²³ We further testified that NSPS could, if designed and implemented properly, serve as a model for governmentwide transformation. However, if not properly designed and implemented, NSPS could impede progress toward a more performance- and results-based system for the federal government as a whole.

Communication Strategy Not Comprehensive

DOD developed and implemented a written communication strategy document that provides a structured and planned approach to communicate timely and consistent information about NSPS, but this strategy is not comprehensive. It does not contain some elements that we have identified as important to successful communication during transformations. As a result, the written communication strategy document may not facilitate two-way communication between employees, employee representatives, and management, which is central to forming effective partnerships that are vital to the success of any organization.

Specifically, the strategy does not identify all key internal stakeholders and their concerns. For example, the strategy acknowledges that employee representatives play an important role in the design and implementation of NSPS, but it does not identify them as a key stakeholder. Instead, DOD's written communication strategy document characterizes union leadership as a "detractor," in part due to their criticism of NSPS. Consequently, DOD identified the following four objectives as its most urgent communications priorities, which are to (1) demonstrate the rationale for and the benefits of NSPS, (2) express DOD's commitment to ensuring that NSPS is applied fairly and equitably throughout the organization, (3) demonstrate openness and transparency in the design and process of converting to NSPS, and (4) mitigate and counter any potential criticism of NSPS from such detractors as unions and their support groups. Experience shows that failure to adequately consider a wide variety of people and cultural issues can lead to unsuccessful transformations.

²³GAO, *Human Capital: Preliminary Observations on Proposed Regulations for DOD's National Security Personnel System*, [GAO-05-559T](#) (Washington, D.C.: Apr. 14, 2005); *Human Capital: Preliminary Observations on Proposed Department of Defense National Security Personnel System Regulations*, [GAO-05-517T](#) (Washington, D.C.: Apr. 12, 2005); and *Human Capital: Preliminary Observations on Proposed DOD National Security Personnel System Regulations*, [GAO-05-432T](#) (Washington, D.C.: Mar. 15, 2005).

Furthermore, although the written communication strategy document identified key messages for those internal and external stakeholders that are identified, it does not tailor these messages to specific stakeholder groups. For example, the strategy does not tailor key messages to such groups of employees as human resource personnel, DOD executives and flag officers, supervisors, and managers, even though these employees may have divergent interests and information needs. Tailoring information helps employees to feel that their concerns are specifically addressed. We have reported that organizations undergoing a transformation should develop a comprehensive communications strategy that reaches out to employees, customers, and stakeholders and seeks to genuinely engage them in the transformation process and facilitate a two-way honest exchange with and allow for feedback from employees, customers, and stakeholders.²⁴

NSPS Design Process has Involved Employees

While the design process has involved employees through many mechanisms, including focus groups, town hall meetings, a NSPS Web site for employee comments, and meetings with employee representatives, it has not included employee representatives on the working groups that drafted the design options.²⁵ The composition of the team is important because it helps employees see that they are being represented and that their views are being considered in the decision-making process. A successful transformation must provide for meaningful involvement by employees and their representatives to, among other things, gain their input into and understanding of the changes that are occurring in the organization. Employee involvement strengthens the transformation process by including frontline perspectives and experiences. Further, employee involvement helps increase employee's understanding and acceptance of organizational goals and objectives, and gain ownership for new policies and procedures. Involving employees in planning helps to develop agency goals and objectives that incorporate insights about operations from a front-line perspective. It can also serve to increase employees' understanding and acceptance of organizational goals and improve motivation and morale.

²⁴[GAO-03-669](#).

²⁵It should be noted that 10 federal labor unions 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. See *American Federation of Government Employees, AFL-CIO et al v. Rumsfeld et al*, No. 1:05cv00367 (D.D.C. filed Feb. 23, 2005).

The PEO sponsored a number of focus group sessions and town hall meetings at various sites across DOD and around the world to provide employees and managers an opportunity to participate in the development of NSPS. During a 3-week period beginning in July 2004, over 100 focus groups were held throughout DOD, including overseas locations. The purpose of the focus groups was to elicit perceptions and concerns about current personnel policies and practices as well as new ideas from the DOD workforce to inform the NSPS design process. Separate focus groups were held for employees, civilian and military supervisors, and managers and practitioners from the personnel, legal, and equal employment opportunity communities. According to DOD officials, bargaining unit employees and employee representatives were invited to participate. DOD officials stated that over 10,000 comments, ideas, and suggestions were received during the focus group sessions and were summarized and provided to NSPS working groups for use in developing options for the labor relations, appeals, adverse actions, and personnel design elements of NSPS.

In addition, town hall meetings were held and, according to DOD, are still being conducted at DOD facilities around the world. According to DOD officials, these town hall meetings have provided an opportunity to communicate with the workforce, provide the status of the design and development of NSPS, and solicit thoughts and ideas. The format for town hall meetings included an introductory presentation by a senior leader followed by a question and answer session where any employee in the audience was free to ask a question or make a comment. To facilitate the widest possible dissemination, some of the town hall meetings were broadcast live, as well as videotaped and rebroadcast on military television channels and Web sites.

DOD's NSPS Web site was available for DOD employees as well as interested parties to view and comment on the proposed regulations as well as for the most recent information and announcements regarding NSPS. After the proposed NSPS regulations were published in the *Federal Register*, there was a 30-day public comment period, providing all interested parties the opportunity to submit comments and recommendations on the content of the proposal. The proposed regulations were published on February 14, 2005, and the 30-day comment period ended on March 16, 2005. During this time period, according to DOD, it received more than 58,000 comments.

Prior to the publication of the proposed NSPS regulations, DOD and OPM conducted 10 joint meetings with officials of DOD's 43 labor unions to

discuss NSPS design elements. According to DOD officials, these meetings involved as many as 80 union leaders at any one time, addressed a variety of topics, including (1) the reasons change is needed and the department's interests; (2) the results of departmentwide focus group sessions held with a broad cross-section of DOD employees; (3) the proposed NSPS implementation schedule; (4) employee communications; and (5) proposed design options in the areas of labor relations and collective bargaining, adverse actions and appeals, and pay and performance management. According to DOD officials, these meetings provided the opportunity to discuss the design elements, proposals under consideration for NSPS, and solicit employee representative feedback.

According to DOD, the focus group sessions and town hall meetings, as well as the working groups and union meetings, assured that DOD employees, managers, supervisors, employee representatives, and other stakeholders were involved in and given ample opportunity to provide input into the design and implementation of NSPS.

Opportunities for employee involvement were limited between the conclusion of the town hall meetings and focus groups in July 2004 and the publishing of the proposed NSPS regulations in February 2005; the primary means for employees to provide feedback during this time was through the NSPS Web site.

DOD Faces Multiple Challenges in Implementing NSPS

As DOD implements its new personnel management system, it will face multiple implementation challenges in both the early and later stages of implementation. At recent hearings on the proposed NSPS regulations, we highlighted multiple challenges: (1) establishing an overall communications strategy, (2) providing adequate resources for the new system, (3) involving employees and other stakeholders in implementing the system, (4) ensuring sustained and committed leadership, and (5) evaluating the new personnel management system after it has been implemented.²⁶

Early Implementation Challenges

- *Establishing an overall communications strategy.* A significant challenge for DOD is to ensure an effective and ongoing two-way

²⁶GAO-05-432T, GAO-05-517T, and GAO-05-559T.

communications strategy, given its size, geographically and culturally diverse audiences, and different command structures across DOD organizations. We have reported that a communications strategy that creates shared expectations about, and reports related progress on, the implementation of the new system is a key practice of a change management initiative. The communications strategy must include the active and visible involvement of a number of key players, including the Secretary of Defense, and a variety of communication means and mediums for successful implementation of the system. DOD acknowledges that a comprehensive outreach and communications strategy is essential for designing and implementing its new personnel management system, but the proposed regulations do not identify a process for continuing involvement of employees in the planning, development, and implementation of NSPS.

- *Providing adequate resources for implementing the new system.* Experience has shown that additional resources are necessary to ensure sufficient planning, implementation, training, and evaluation for human capital reform. According to DOD, the implementation of NSPS will result in costs for, among other things, developing and delivering training, modifying automated personnel information systems, and starting up and sustaining the National Security Labor Relations Board. Major cost drivers in implementing pay-for-performance systems are the direct costs associated with salaries and training. DOD estimates that the overall cost associated with implementing NSPS will be approximately \$158 million through fiscal year 2008. However, it has not completed an implementation plan for NSPS, including an information technology plan and a training plan; thus, the full extent of the resources needed to implement NSPS may not be well understood at this time.
- *Involving employees and other stakeholders in implementing the system.* DOD faces a significant challenge in involving—and continuing to involve—its employees, employee representatives, and other stakeholders in implementing NSPS. DOD’s proposed NSPS regulations, while providing for continuing collaboration with employee representatives, do not identify a process for the continuing involvement of employees and other stakeholders in the planning, development, and implementation of NSPS. The active involvement of all stakeholders will be critical to the success of NSPS. 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 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 employees are to gain a sense of understanding and ownership of the changes that are being made.

Later Implementation Challenges

- *Ensuring sustained and committed leadership.* As DOD implements this massive human capital reform, its challenge will be to elevate, integrate, and institutionalize leadership responsibility for NSPS to ensure its success. DOD may face a future leadership challenge when the NSPS Senior Executive and the PEO transition out of existence once NSPS is fully implemented. According to a PEO official, at that time, ongoing implementation responsibility for NSPS would come under the Civilian Personnel Management Service, which is part of the Office of the Under Secretary of Defense for Personnel and Readiness. In recent testimony on the transformation of DOD business operations, we stated that as DOD embarks on large-scale business transformation efforts, such as NSPS, the complexity and long-term nature of these efforts requires the development of an executive position capable of providing strong and sustained change management leadership across the department—and over a number of years and various administrations.²⁷ One way to ensure such leadership would be to create by legislation a full-time executive-level II position for a chief management official, who would serve as the Deputy Secretary of Defense for Management. This position would elevate, integrate, and institutionalize the high-level attention essential for ensuring that a strategic business transformation plan—as well as the business policies, procedures, systems, and processes that are necessary for successfully implementing and sustaining overall business transformation efforts, like NSPS, within DOD—are implemented and sustained. In previous testimony on DOD's business transformation efforts, we identified the lack of clear and sustained leadership for overall business transformations as one of the underlying causes that has impeded prior DOD reform efforts.²⁸

²⁷GAO, *Defense Management: Key Elements Needed to Successfully Transform DOD Business Operations*, GAO-05-629T (Washington, D.C.: Apr. 28, 2005).

²⁸GAO-05-140T.

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- *Evaluating the new personnel management system.* Evaluating the impact of NSPS will be an ongoing challenge for DOD. This is especially important because NSPS would give managers more authority and responsibility for managing the new personnel system. High-performing organizations continually review and revise their human capital management systems based on data-driven lessons learned and changing needs in the work environment. Collecting and analyzing data will be the fundamental building block for measuring the effectiveness of these approaches in support of the mission and goals of the department.

According to DOD, the department is planning to establish procedures to evaluate the implementation of its new personnel management system. During testimony on the proposed NSPS regulations, we stated that DOD should consider conducting evaluations that are broadly modeled on demonstration projects. Under the demonstration project authority, agencies must evaluate and periodically report on results, implementation of the demonstration project, costs and benefits, impacts on veterans and other equal employment opportunity groups, adherence to merit system principles, and the extent to which the lessons learned from the project can be applied governmentwide. We further testified that a set of balanced measures addressing a range of results, and customer, employee, and external partner issues may also prove beneficial. An evaluation such as this would facilitate congressional oversight; allow for any midcourse corrections; assist DOD in benchmarking its progress with other efforts; and provide for documenting best practices and lessons learned with employees, stakeholders, other federal agencies, and the public.

Conclusions

DOD's efforts to design and implement a new personnel management system represent a huge undertaking. However, if not properly designed and implemented, the new system could severely impede DOD's progress toward a more performance- and results-based system that it is striving to achieve. Although DOD's process to design its new personnel management system represents a phased, deliberative process, it does not fully reflect some key practices of successful transformations. Because DOD has not fully addressed all of these practices, it does not have a comprehensive written communication strategy document that effectively addresses employee concerns and their information needs, and facilitates two-way communication between employees, employee representatives, and management. Without a comprehensive written communication strategy

document, DOD may be hampered in achieving employee buy-in, which could lead to an unsuccessful implementation of the system.

In addition, evaluating the impact of NSPS will be an ongoing challenge for DOD. Although DOD has plans to establish procedures to evaluate NSPS, it is critical that these procedures be adequate to fully measure the effectiveness of the program. Specifically, adequately designed evaluation procedures include results-oriented performance measures and reporting requirements that facilitate DOD's ability to effectively evaluate and report on NSPS's results. Without procedures that include outcome measures and reporting requirements, DOD will lack the visibility and oversight needed to benchmark progress, make system improvements, and provide the Congress with the assessments needed to determine whether NSPS is truly the model for governmentwide transformation in human capital management.

Recommendations for Executive Action

To improve the comprehensiveness of the NSPS communication strategy, we recommend that the Secretary of Defense direct the NSPS Senior Executive and NSPS Program Executive Office to take the following two actions:

- Identify all internal stakeholders and their concerns.
- Tailor and customize key messages to be delivered to groups of employees to meet their divergent interests and information needs.

To evaluate the impact of DOD's new personnel management system, we recommend that the Secretary of Defense direct the NSPS Senior Executive and NSPS Program Executive Office to take the following action:

- Develop procedures for evaluating NSPS that contain results-oriented performance measures and reporting requirements. These evaluation procedures could be broadly modeled on the evaluation requirements of the OPM demonstration projects.

Agency Comments and Our Evaluation

DOD provided written comments on a draft of this report. The department did not concur with our recommendation to identify all key internal stakeholders and their concerns. The department partially concurred with

our recommendation to tailor and customize key messages to be delivered to groups of employees to meet their divergent interests and information needs. Also, the department partially concurred with our recommendation to develop procedures for evaluating NSPS that contain results-oriented performance measures and reporting requirements.

DOD did not concur with our recommendation that the department identify all key internal stakeholders and their concerns. The department stated that, among other things, it adopted a broad-based, event-driven approach to the design and implementation of NSPS that included a multifaceted communications outreach strategy to inform and involve key stakeholders, and that it took great care to ensure that materials and messages addressed stakeholders' concerns, both known and anticipated. However, our review of DOD's written communication strategy document showed that not all key internal stakeholders and their concerns were identified. For example, the written communication strategy document does not identify employee representatives as a key stakeholder but, instead, characterizes union leadership as "NSPS' biggest detractor." Since the development and implementation of the written communication strategy document, DOD notes that specific plans were developed to identify key internal and external stakeholders and provided key messages and communications products to inform those groups. DOD provided us with these plans after we provided the department with our draft report for comment. Our review of these plans shows that they are not comprehensive. For example, the plans for the most part do not identify employee representatives as a key stakeholder or identify their concerns. Consequently, we continue to believe that our recommendation has merit and should be implemented.

DOD partially concurred with our recommendation that the department tailor and customize key messages to be delivered to groups of employees to meet their divergent interest and information needs. The department stated that it believes that it has been successful so far in developing, customizing, and delivering key messages to employees and provided us with several examples to illustrate its efforts. Although DOD's written communication strategy document contained key messages for some employee groups, the messages were general in content and not tailored to specific employee groups. DOD acknowledges that each stakeholder group has a unique focus and recently released NSPS brochures tailored to such groups of employees as human resource personnel, senior leaders, supervisors and managers, and employees. DOD provided us with these brochures after we provided the department with our draft report for comment. Our review of these brochures shows that they do in fact tailor

and customize key messages for some, but not all, employee groups. Furthermore, we believe that DOD's written communication strategy document should serve as the single, comprehensive source of DOD's key messages, which are tailored to and customized for groups of employees. Consequently, we continue to believe that this recommendation has merit and should be implemented.

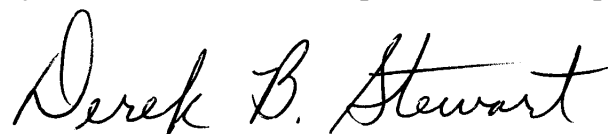
DOD partially concurred with our recommendation to develop procedures for evaluating NSPS that contain results-oriented performance measures and reporting requirements that could be broadly modeled on the evaluation requirements of the OPM demonstration projects. The department stated that it has begun developing an evaluation plan and will ensure that the plan contains results-oriented performance measures and reporting mechanisms. If the department follows through with this effort, we believe that it will be responsive to our recommendation.

DOD's comments are reprinted in appendix III. DOD also provided technical comments, which we have incorporated in the final report where appropriate.

We are sending copies of this report to the Chairman and Ranking Member, Senate Committee on Armed Services; the Chairman and Ranking Member, Senate Committee on Homeland Security and Governmental Affairs; the Chairman and Ranking Member, Subcommittee on Oversight of Government Management, the Federal Workforce, and the District of Columbia, Senate Committee on Homeland Security and Governmental Affairs; the Chairman and Ranking Member, House Committee on Armed Services; the Chairman and Ranking Member, Subcommittee on the Federal Workforce and Agency Organization, House Committee on Government Reform; and other interested congressional parties. We also are sending copies to the Secretary of Defense and Director of the Office of Personnel Management. We will make copies available to other interested parties upon request. This report also will be made available at no charge on GAO's Web site at <http://www.gao.gov>.

If you or your staff have any questions about this report, please contact me at (202) 512-5559 or by e-mail at stewartd@gao.gov. For further information on governmentwide human capital issues, please contact Eileen R. Larence, Director, Strategic Issues, at (202) 512-6512 or larencee@gao.gov. Contact points for our Offices of Congressional Relations and Public

Affairs may be found on the last page of the report. GAO staff who made major contributions to this report are listed in appendix IV.

A handwritten signature in black ink that reads "Derek B. Stewart". The signature is written in a cursive style with a large initial 'D' and a long horizontal stroke at the end.

Derek B. Stewart, Director
Defense Capabilities and Management

List of Congressional Committees

The Honorable John W. Warner
Chairman
The Honorable Carl Levin
Ranking Member
Committee on Armed Services
United States Senate

The Honorable Susan M. Collins
Chairman
The Honorable Joseph I. Lieberman
Ranking Member
Committee on Homeland Security
and Governmental Affairs
United States Senate

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

The Honorable Duncan Hunter
Chairman
The Honorable Ike Skelton
Ranking Member
Committee on Armed Services
House of Representatives

The Honorable Jon C. Porter
Chairman
The Honorable Danny K. Davis
Ranking Member
Subcommittee on the Federal Workforce
and Agency Organization
Committee on Government Reform
House of Representatives

Scope and Methodology

In conducting our review of the Department of Defense's (DOD) National Security Personnel System (NSPS), we met with officials in key offices within DOD and the Office of Personnel Management (OPM) that have responsibility for designing and implementing DOD's new performance management system. We also met with DOD employee representatives, whose members are affected by the transformation. We conducted our work in Washington, D.C., at DOD, including the NSPS Program Executive Office (PEO) and NSPS Program Management Offices in the Army, the Navy, the Marine Corps, the Air Force, and Washington Headquarters Service. We also met with members of the NSPS Overarching Integrated Product Team (OIPT) and Senior Advisory Group.

At OPM, we met with the Senior Advisor to the Director for the Department of Defense and Senior Policy Advisor and Chief Human Capital Officer in the Office of the Director. We also met with key officials in OPM's Office of Congressional Relations, Division for Strategic Human Resources Policy, Homeland Security and Intelligence Group in the Division for Human Capital Leadership and Merit System Accountability, and the Office of the Chief Financial Officer. In addition, we met with the OPM co-chairs of each of the DOD working groups that designed NSPS.

We met with representatives from the United Defense Workers Coalition, which represents 36 DOD employee unions, as well as employee representatives for the Fraternal Order of Police and National Association of Independent Labor, which are not members of the Coalition. We contacted the other non-Coalition unions, but their representatives told us that they had not been actively involved in the NSPS design process and, therefore, declined our offer to meet with them. Finally, we met in Washington, D.C., with key officials in other federal agencies that are statutorily involved in the NSPS design process: Federal Labor Relations Authority, Federal Mediation and Conciliation Service, and U.S. Merit Systems Protection Board.

To describe DOD's design process, we examined the authorizing legislation and other applicable laws and regulations and collected and analyzed documentary and testimonial information from key sources. We met with the Director and Deputy Director of the NSPS PEO and the DOD and OPM co-chairs of all six working groups; members of the OIPT, including the OPM co-chair, and Senior Advisory Group; DOD employee representatives; and experts in federal labor relations and federal adverse actions and personnel appeals systems. We also examined NSPS policy guidance, directives, draft regulations, instructions, manuals, and memorandums

related to the design process and NSPS charters outlining the roles and responsibilities of the OIPT and PEO.

To evaluate the extent to which DOD's process reflects elements of successful transformations, we reviewed prior GAO reports, testimonies, and forums on mergers and organizational transformations to identify assessment criteria, and we applied those criteria to the descriptive information collected for the first objective. Although there are a total of nine key practices of successful transformations, our evaluation focused on six key practices: (1) ensure top leadership drives the transformation, (2) focus on a key set of principles and priorities at the outset of the transformation, (3) set implementation goals and a timeline to build momentum and show progress from day one, (4) dedicate an implementation team to manage the transformation process, (5) establish a communication strategy to create shared expectations and report related progress, and (6) involve employees to obtain their ideas and gain their ownership for the transformation.

We did not evaluate the key practice "establishes a coherent mission and integrated strategic goals to guide the transformation" because we have previously reported on the department's strategic planning efforts for civilian personnel and assessed whether DOD and selected defense components' goals and objectives contained in strategic plans for civilian personnel were aligned with overarching missions of the organizations. We did not apply two other key practices, "uses a performance management system to define responsibility and assure accountability for change" and "builds a world-class organization" because it would be premature to apply them to the NSPS design process given that DOD has considerable work ahead to design and implement NSPS and assess the overall system.

To identify the most significant challenges DOD faced in developing NSPS, we interviewed officials from DOD, OPM, and other federal agencies as well as representatives from DOD unions. We also examined related documentation, previously identified, and reviewed prior GAO reports, testimonies, and observations related to these challenges.

Data on DOD labor unions and the number of employees associated with each union were compiled by DOD from three sources: (1) the OPM book, entitled *Union Recognition in the Federal Government*, (2) data from the Defense Civilian Personnel Data System, and (3) a DOD survey of the military departments and defense agencies. The data are current as of June 2005. To assess the reliability of these data, we interviewed the DOD

official responsible for compiling the data and performed some basic reasonableness checks of the data against other sources of information (e.g., previous DOD reports that identified DOD labor unions in past years and information directly from unions). However, we were unable to determine the reliability of the precise numbers of employees represented by each union. Because of this, and since some of the data are not current, these data are only sufficiently reliable for use as estimates rather than precise numbers of union employees. We use these data in appendix II to identify current DOD labor unions, an estimate of the number of employees represented by each union, and which unions belong to the United Defense Workers Coalition.

We conducted our review from October 2004 through June 2005 in accordance with generally accepted government auditing standards. We include a comprehensive list of related GAO products on DOD's civilian personnel management at the end of this report.

DOD Labor Unions, Estimated Number of Employees Represented, and Membership in the United Defense Workers Coalition

Table 1 lists current DOD labor unions, the estimated number of employees represented by each union, and which unions belong to the United Defense Workers Coalition.

Table 1: DOD Labor Unions, Estimated Number of Employees Represented, and Membership in the United Defense Workers Coalition (as of June 2005).

DOD labor unions ^a	Estimated number of employees represented
Members of the United Defense Workers Coalition	
1. American Federation of Government Employees (AFGE)	260,521
2. American Federation of Teachers (AFT)	734
3. American Federation of State, County and Municipal Employees (AFSCME) ^b	367
4. American Nurses Association (ANA)	18
5. Antilles Consolidated Education Association (ACEA)	463
6. Association of Civilian Technicians (ACT)	22,173
7. Communications Workers of America (CWA) ^c	104
8. Fairchild Federal Employees Union (FFEU)	646
9. Federal Education Association, Inc. (FEA)	7,240
10. Hawaii Council of Defense Commissary Unions (HCDCU)	454
11. International Association of Firefighters (IAFF)	39
12. International Association of Machinists and Aerospace Workers (IAMAW)	16,875
13. International Association of Tool Craftsman (IATC)	17
14. International Brotherhood of Boilermakers (IBB) ^d	Information not available
15. International Brotherhood of Electrical Workers (IBEW)	3,066
16. International Brotherhood of Teamsters, Chauffeurs, Warehousemen and Helpers of America (IBT)	2,960
17. International Federation of Professional and Technical Engineers (IFPTE)	13,131
18. International Guard Union of America (IGUA)	34
19. International Organization of Masters, Mates and Pilots (IOMMP)	433
20. International Union of Operating Engineers (IUOE)	99
21. International Union of Painters and Allied Trades (BPAT)	33
22. Laborers International Union of North America (LIUNA)	7,381
23. Marine Engineers Beneficial Association (MEBA)	611
24. Metal Trades Department/Council (MTD/MTC)	18,260
25. National Air Traffic Controllers Association (NATCA)	36
26. National Association of Aeronautical Examiners (NAAE)	242
27. National Association of Government Employees (NAGE)	22,614
28. National Association of Government Inspectors (NAGI)	161

Appendix II
DOD Labor Unions, Estimated Number of
Employees Represented, and Membership in
the United Defense Workers Coalition

(Continued From Previous Page)

DOD labor unions^a	Estimated number of employees represented
Members of the United Defense Workers Coalition (continued)	
29. National Federation of Federal Employees (NFFE)	8,449
30. Professional Airways Systems Specialists (PASS)	43
31. Retail, Wholesale and Department Store Union (RWDSU)	857
32. Seafarers International Union of North America (SIUNA)	3,675
33. Service Employees International Union (SEIU)	3,875
34. Sport Air Traffic Controllers (SPORT)	16
35. United Association of Plumbing and Pipe Fitting Industry of the United States and Canada (UA)	83
36. United Power Trades Organization (UPTO)	490
Non-Coalition members	
37. Fraternal Order of Police (FOP)	449
38. Graphic Communications International Union (GCIU)	232
39. Hotel Employees and Restaurant Employees International Union (HERE)	781
40. International Chemical Worker's Union (ICWU)	20
41. National Association of Independent Labor (NAIL)	2,500
42. National Conference of Firemen and Oilers (SEIU) (Formerly International Brotherhood of Firemen and Oilers (IBFO))	47
43. United Food Commercial Workers Union (UFCW)	24,376
Total	424,605

Source: DOD.

^aData on DOD labor unions and the number of employees associated with each union was compiled by DOD from the Office of Personnel Management (OPM) book entitled *Union Recognition in the Federal Government*, data from the Defense Civilian Personnel Data System, and a DOD survey of the military departments and defense agencies. The data are current as of June 2005 and the numbers of employees should be considered as estimates rather than precise numbers.

^bThe American Federation of State, County, and Municipal Employees union represents two DOD unions. The Federation of Physicians & Dentists/Alliance of Health Care & Professional Employees represents 269 employees, while the United Nurses Association of California (UNAC) and Balboa RN Association (BNA) represent 98 employees.

^cThis includes the United Telegraph Workers Union (UTWU), which merged with the Communications Workers of America in 1987.

^dThe International Brotherhood of Boilermakers (IBB) is affiliated with the Metal Trades Department. IBB representatives attended the meetings between the United Defense Workers Coalition and representatives from DOD and OPM.

Comments from the Department of Defense



Program Executive Office

DEPARTMENT OF DEFENSE
PROGRAM EXECUTIVE OFFICE
NATIONAL SECURITY PERSONNEL SYSTEM
1400 KEY BOULEVARD
ARLINGTON, VA 22209-5144



June 29, 2005

Mr. Derek Stewart
Director, Defense Capabilities & Management
U.S. Government Accountability Office
441 G Street, N.W.
Washington, DC 20548

Dear Mr. Stewart,

This is the Department of Defense (DoD) response to the Government Accountability Office (GAO) draft report, "Human Capital: DoD's National Security Personnel System Faces Implementation Challenges," dated June 8, 2005 (GAO Code 350575/GAO-05-730). On behalf of the Department, I want to thank you for the opportunity to review and comment on the draft report.

Generally, we believe that the report accurately portrays our design process for the National Security Personnel System (NSPS), and we appreciate the thorough and professional job performed by you and your team. We appreciate your recognition of the importance and significance of the improvements in human capital management that NSPS will achieve, as well as the challenges we face in implementing this system. We have noted some technical issues in the report that we would like to clarify or correct, and we are also providing responses to your specific recommendations. The enclosure contains those comments and responses.

Again, thank you for the opportunity to comment and respond, and we appreciate the hard work that went into researching and drafting this report. The Department and the Program Executive Office benefited from the experience. If you have any questions regarding this response, please do not hesitate to contact me.

Sincerely,

Brad Bunn
Deputy Program Executive Officer

Enclosure

ENCLOSURE

GAO DRAFT REPORT – DATED June 8, 2005
GAO CODE 350575/GAO-05-730

**“HUMAN CAPITAL: DoD’s National Security Personnel System Faces
Implementation Challenges”**

DOD RESPONSES TO RECOMMENDATIONS

RECOMMENDATION 1: The draft GAO report (page 35) recommends that the Secretary of Defense direct the NSPS Senior Executive and NSPS Program Executive Office to identify all internal stakeholders and their concerns.

DOD RESPONSE: Nonconcur. The Program Executive Office and the Component Program Management Offices recognize the importance of reaching out to and engaging all stakeholders, both internal and external. Following the strategic engagement and under the leadership of Secretary England as the Senior Executive for NSPS, we adopted a broad based, event-driven approach to the design and implementation of NSPS. This included a multi-faceted communications outreach strategy to inform and involve key stakeholders. The internal stakeholders are:

- Employees
- Employee representatives (unions)
- Senior leaders
- Civilian managers and supervisors
- Military leaders
- Practitioners (human resources, EEO, legal, financial)

In developing communications products and opportunities, we took great care to ensure that the materials and messages addressed their concerns, both known and anticipated. In addition, the DoD Components identified their key internal stakeholders at a more refined level and targeted messages and products to them. This was in line with the overall communications strategy, under which the Program Executive Office developed high level products and messages, and the Components tailored those products for their specific environments.

The communications plan drafted in spring of 2004 (provided to GAO during its research) presented a broad, overarching strategy. Since then, specific plans were developed for major milestone events, including: (1) Announcement of Spiral One organizations in December 2004; (2) “Rollout” of the proposed NSPS regulations in February 2005; and (3) the “Way Ahead” for NSPS, announcing schedule adjustments and next steps in the design and implementation process in June 2005. In each of these plans, we identified key internal and external stakeholders and provided key messages and communications products to inform those groups.

In light of this information, we respectfully recommend that the draft report be revised to reflect these facts.

RECOMMENDATION 2: The draft GAO report (page 35) recommends that the Secretary of Defense direct the NSPS Senior Executive and NSPS Program Executive Office to tailor and customize key messages to be delivered to groups of employees to meet their divergent interest and information needs.

DOD RESPONSE: Partially concur. We agree with the change management principle that you can never communicate enough when attempting to implement a major transformation initiative. The diversity of the Department's organization and workforce coupled with the significance of change that NSPS brings makes that principle particularly important to the NSPS communications strategy. For that reason, we concur that we can expand our efforts in this area, and have been planning to do so as the NSPS design matures and we begin to enter the implementation phase of this program. We have found that our key internal stakeholders, particularly employees, are anxious to learn more of the details of NSPS, and we have been unable to satisfy that desire because many of those details were not yet developed. As that changes, we will be able to more effectively tailor key messages and communications products to meet their needs.

Nevertheless, we believe we have been successful so far in developing, customizing, and delivering key messages to employees. The Program Executive Office works collaboratively with the DoD Components to develop strategies, methods, and products that incorporate overall, consistent messages and information, while providing for customization and supplementation by Components. There are a variety of examples to illustrate these efforts.

- **Focus Groups:** Over 100 focus groups were conducted to engage internal stakeholders in the early design process. Over a thousand employees participated in these focus groups, including employees (bargaining unit and non-bargaining unit), supervisors, managers, and human resources practitioners. These focus groups provided us the opportunity to talk directly to employees about NSPS, as well as provide a mechanism to gather employee input on key design issues.
- **Town Hall Meetings:** Over 50 town hall meetings have been held and continue to be held worldwide and are directed at employees and other internal stakeholders. These have been particularly effective because employees hear about NSPS from senior leaders within their chain of command, demonstrating leadership commitment to the process.
- **NSPS website:** The NSPS website is available to both internal and external stakeholders. The website is a primary communications tool that is regularly updated with current NSPS information. The "Contact Us" feature on the website allows visitors to submit questions concerning NSPS, which are answered by the NSPS Communications Team. Approximately 100 questions are received each week, and each question is answered in a timely manner. We have found that the vast majority of these inquiries come from DoD employees, and we use these questions to continually update the Frequently Asked Questions (FAQ) portion of the website.
- **Spiral 1.1 Conference:** In January 2005, the PEO NSPS sponsored the NSPS Spiral 1.1 Conference, held at MacDill AFB, Tampa, Florida. The conference was targeted for senior

Appendix III
Comments from the Department of Defense

DoD Response to Draft GAO Report 350575
June 29, 2005

leaders, supervisors and managers, human resource practitioners, and labor attorneys. Over 500 attendees participated in the conference, which included guest speakers, panels of officials with experience in alternative personnel systems, and breakout sessions. We tailored the information and messages to these stakeholders, who represent the first group of organizations that will take advantage of the NSPS human resources flexibilities.

- **Video:** In May 2005, the NSPS released a 17 minute video entitled “NSPS: Towards a Mission-Centered Workforce.” The video highlights the NSPS design process through the development of the proposed regulations. It also includes commentary from numerous participants in ongoing personnel demonstration projects within DoD, and is targeted primarily for interested employees, but will also be effective for other stakeholders.
- **“Preparing for NSPS” Brochures:** In May 2005, the PEO NSPS released four brochures to help employees, supervisors, senior leaders, and human resource practitioners prepare for the transition to NSPS. While everyone needs general information, each group has a unique focus so the brochures were designed for a specific stakeholder.

In addition to these PEO sponsored products, the Components actively engage in communications outreach to their employees, with a variety of tools, for example:

- Component NSPS websites that contain Component-specific information on NSPS
- Regular NSPS newsletters that are widely distributed to employees that give updates on NSPS status and information
- Standing senior leadership meetings with major command level organizations to advise the chain of command on NSPS matters
- Command-sponsored informational briefings for employees, so they learn about NSPS from their direct chain of command
- Designation of command NSPS “change agents” (Department of the Navy) responsible for preparing for NSPS at the command level
- Integration of NSPS speakers and content into Component-sponsored conferences and events

These examples illustrate the overarching communications strategy of developing core and consistent products, information, and messages, and using the chain of command and existing organizational infrastructures to cascade information to employees and other internal stakeholders. We respectfully recommend the draft report be modified to reflect these successful efforts.

RECOMMENDATION 3: The draft GAO report (page 35) recommends that the Secretary of Defense direct the NSPS Senior Executive and NSPS Program Executive Office to develop procedures for evaluating NSPS that contain results-oriented performance measures and reporting requirements. These evaluation procedures could be broadly modeled on the evaluation requirements of the OPM demonstration projects.

DOD RESPONSE: Partially concur. The NSPS Senior Executive chartered the Program Executive Office (PEO) to establish a program evaluation process for NSPS, and the PEO has initiated that process as part of implementation activities. The initial draft plan and key measures provided to GAO in January 2005 have been revised by an intra-Departmental working group and are being reviewed by senior officials. The draft plan cannot be finalized until the NSPS design is complete. The plan, measures, and initial evaluation activities will be adjusted to reflect the final NSPS regulations and implementing issuances. The Department has drawn upon our experience with demonstration projects and Office of Personnel Management evaluation methods and metrics; as a result, much of our approach is modeled on the evaluation requirements of the previous demonstration projects, as suggested by the draft GAO report recommendation. In addition, we have partnered with OPM throughout our design process, and have included OPM representatives in initial planning efforts for evaluating NSPS. We also expect to continue working with OPM in NSPS evaluation efforts, in conjunction with ongoing evaluation and accountability programs. The DoD plan addresses a variety of sources and analytic methods for in-progress and summary evaluative reports, and we are in the process of gathering baseline data. This comprehensive evaluation effort, consisting of formative and summation studies, has been developed jointly between DoD Components and the Program Executive Office to assess whether NSPS satisfies the requirements set out in the NSPS Guiding Principles, Key Performance Parameters, and the governing statute. To that end, we will ensure that our final evaluation plan contains results-oriented performance measures, as well as robust reporting mechanisms.

GAO Contact and Staff Acknowledgments

GAO Contact

Derek B. Stewart, (202) 512-5559

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Related GAO Products

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