

Theory to Practice

Commentary

Article

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Fernandez and Rainey: Managing Successful Organizational Change in the Public Sector: An Agenda for Research and Practice

The early years of the twenty-first century are proving to be a period of profound transition for the federal government. This transition is being driven by a number of key trends, including the nation's long-term structural fiscal imbalance; the aging of the "baby boom" generation; global interdependence; diverse, diffuse, and asymmetrical security threats; changes in the nature of the economy; and evolving governance structures and concepts. In response, federal agencies are being driven to transform their cultures to be more results-oriented, customer-focused, and collaborative in nature. Important and major transformation efforts are underway—with, at this point, radically differing levels of success—across the federal government in agencies as diverse as the Department of

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Defense, the Department of Homeland Security (DHS), the United States Postal Service, the Internal Revenue Service, the Centers for Disease Control, and the Government Accountability Office (GAO), to name just a few.

Sergio Fernandez and Hal Rainey have provided a very valuable service in their excellent analytic summary of the large volume of experience and related literature on organizational transformation—initiatives involving large-scale, planned, strategic, and administrative change—and in their insightful outline of a related agenda for research and practice. My comments will center on two areas. First, our work at GAO on transformation and the resulting advice we have been giving to federal agencies and

the Congress are broadly consistent (I was very pleased to see) with the eight determinants of successful implementation of organizational change in the public sector identified by Fernandez and Rainey. Based on that consistency, I will suggest some specific implementation steps, many of which are also covered by Fernandez and Rainey, that can help organizations in their own transformations. Second, I will pick up on a point suggested by Fernandez and Rainey at the end of their article regarding the need for research on "the impact of change on organizational performance, as measured by indicators of efficiency and effectiveness...." In particular, it seems to me that specific research is needed on the transformation implications of reform movements underway in response to the governance challenges public agencies face.

GAO's Work on Organizational Transformation

On September 24, 2002, the Comptroller General of the United States, David M. Walker, convened a forum to identify and discuss useful practices and lessons learned from major private and public sector organizational mergers, acquisitions, and transformations that federal agencies could implement to transform their cultures successfully. Especially important was affording the new Department of Homeland Security with information useful for merging its various originating components into a unified department. The invited participants were a cross section of leaders in the public and private sectors who have had experience managing large-scale organizational mergers, acquisitions, and transformations, as well as leading academics and others who have studied these efforts. The forum neither sought nor achieved consensus on all of the issues identified through the discussion. In fact, no two merger, acquisition, or transformation efforts are exactly alike and the

"best" approach for any given effort therefore depends upon a variety of factors specific to each context, a point that Fernandez and Rainey make as well. Nevertheless, there was general agreement at the GAO forum on a number of key practices for the DHS (and others seeking organizational change) to consider that have consistently been found at the center of successful mergers, acquisitions, and transformations. These practices include the following.

Ensure that top leadership drives the transformation. Leadership must set the direction, pace, and tone for the transformation and is essential for providing a clear, consistent rationale that brings together the originating components behind a single mission.

Establish a coherent mission and integrated strategic goals to guide the transformation. The mission and strategic goals of a transformed organization must become the focus of the transformation, must define the culture, and must serve as a vehicle for employees to unite and rally around. Mission clarity is especially essential to define the purpose of the transformation to employees, customers, and stakeholders. The mission and strategic goals must be clear to employees, customers, and stakeholders and be seen as the driving force of the changes that are being made. A well-defined mission and strategic goals also are essential to helping the new organization and its customers and stakeholders make intelligent tradeoffs among short-term and long-term wants, needs, and affordability. Clear mission and strategic goals also help to ensure that program and resource commitments made early in the transformation process are sustainable over the long run.

Focus on a key set of principles and priorities at the outset of the transformation. In bringing together the originating compo-

nents, 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. Principles are the core values of the new organization, and they define the attributes that are intrinsically important to what the new organization does and how it will do it.

Set implementation goals and a timeline to build momentum and show progress from day one. Transforming an organization entails a substantial commitment from all involved. The transformation could take years before it is completed and must be carefully and closely managed. As a result, action-oriented implementation goals and a timeline with milestone dates must be established to track the organization's progress towards its intermediate and long-term transformation goals. By demonstrating progress towards these transformation goals, the organization builds momentum and demonstrates that real progress is being made.

Dedicate an implementation team to manage the transformation process. Dedicating a strong and stable 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. The 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 team must have direct access and be accountable to top leadership. In turn, top leadership must vest the team with the necessary authority and resources to set priorities, make timely decisions, and move quickly to implement top leadership's decisions regarding the transformation. The

team leader's job is full-time and requires dedication for the duration of the transformation process.

Use the performance management system to define responsibility and assure accountability for change. The transformed organization's performance management system must create a "line of sight" showing how team, unit, and individual performance can contribute to overall organizational results. The performance management system also can help manage and direct the transformation process. To be successful, transformation efforts must have leaders, managers, and employees who have the individual competencies to integrate and create synergy among the multiple organizations involved in the transformation effort. These successful efforts measure individual performance and contributions on competencies such as change management, cultural sensitivity, teamwork and collaboration, and information sharing. Leaders, managers, and employees who demonstrate these competencies should be rewarded for their success in contributing to the achievement of the transformation process.

Establish a communication strategy to create shared expectations and report related progress. An effective and ongoing internal and external communication strategy is essential to making transformation happen. In fact, given the importance of an effective communication effort, one participant at the GAO forum observed that a successful communication effort requires twice the time and effort that was at first planned—no matter how ambitious the original plan was. Communication is most effective when done early, clearly, often, and is downward, upward, and lateral. A transforming organization must develop a comprehensive communication strategy that reaches out to employees, customers, and stakeholders and seeks

to genuinely engage them in the transformation process. Communication is not about just "pushing the message out," but it should facilitate a two-way honest exchange with, and allow for feedback from, employees, customers, and stakeholders. This communication is central to forming the effective internal and external partnerships that are vital to the success of any organization.

Communications with employees must include topics such as the new organization's strategic goals, customer service, and in particular, employee concerns. It is important to help employees understand how the changes from the transformation process will affect them and to address the immediate and natural question: "What's in it for me?" Employees will be concerned about whether their jobs will be affected, what their rights and protections will be, or how their responsibilities might change with the new organization. Communicating with customers and stakeholders also should be a top priority and is central to forming the partnerships that are needed to develop and implement the organization's strategies. Importantly, if the organization makes the commitment to communicate with employees, customers, and stakeholders from the beginning, it must continue to do so or risk losing internal and external credibility.

Involve employees to obtain their ideas and gain their ownership for the transformation. Employees must be involved from the beginning to achieve their ownership for the changes that are occurring in the organization. Moreover, employee involvement strengthens the transformation process by including frontline perspectives and experiences. By participating in transformation task teams, employees have additional opportunities to share their experiences and shape policies and procedures as they are being developed. While it is an important investment to involve employees in the

transformation process, there are cautions. Day-to-day operations, service quality, and mission accomplishment must continue to take first priority. Organizations and their employees must guard against being so involved in implementing their transformation initiatives that they lose sight of the fundamental reason for the transformation—improved results.

Build a world-class organization. Successful change efforts start with a vision of radically improved performance and the relentless organization-wide pursuit of that vision. Since successful transformations require enormous investments in time, leadership commitment, energy, and resources, every effort needs to be made to adopt the most effective and efficient personnel, systems, and process changes and continually seek to identify and implement best practices.

At the subsequent request of Senator George Voinovich and Representative Jo Ann Davis, GAO issued a report that identified specific implementation steps with illustrative private and public sector examples for the key practices raised at the forum. The table below from the GAO report shows those implementation steps.

As Fernandez and Rainey observe, while the practices associated with successful transformations may seem to be common sense, they often are ignored and transformation efforts therefore fail. In fact, many major mergers and acquisitions in the private sector do not live up to their expectations or potential. In the short term, the experience of many major private sector mergers and acquisitions is that productivity and effectiveness actually *decline* in the period immediately following a merger and acquisition.

Our work and that of others also has argued that human capital strategies are at the cen-

Table 1 Key Practices and Implementation Steps for Mergers and Organizational Transformations

Practice	Implementation Step
Ensure top leadership drives the transformation.	<ul style="list-style-type: none">• Define and articulate a succinct and compelling reason for change.• Balance continued delivery of services with merger and transformation activities.
Establish a coherent mission and integrated strategic goals to guide the transformation.	<ul style="list-style-type: none">• Adopt leading practices for results-oriented strategic planning and reporting.
Focus on a key set of principles and priorities at the outset of the transformation.	<ul style="list-style-type: none">• Embed core values in every aspect of the organization to reinforce the new culture.
Set implementation goals and a timeline to build momentum and show progress from day one.	<ul style="list-style-type: none">• Make public implementation goals and timeline.• Seek and monitor employee attitudes and take appropriate follow-up actions.• Identify cultural features of merging organizations to increase understanding of former work environments.• Attract and retain key talent.• Establish an organization-wide knowledge and skills inventory to exchange knowledge among merging organizations.
Dedicate an implementation team to manage the transformation process.	<ul style="list-style-type: none">• Establish networks to support the implementation team.• Select high-performing team members.
Use the performance management system to define responsibility and assure accountability for change.	<ul style="list-style-type: none">• Adopt leading practices to implement effective performance management systems with adequate safeguards.
Establish a communication strategy to create shared expectations and report related progress.	<ul style="list-style-type: none">• Communicate early and often to build trust.• Ensure consistency of message.• Encourage two-way communication.• Provide information to meet specific needs of employees.
Involve employees to obtain their ideas and gain their ownership for the transformation.	<ul style="list-style-type: none">• Use employee teams.• Involve employees in planning and sharing performance information.• Incorporate employee feedback into new policies and procedures.• Delegate authority to appropriate organizational levels.
Build a world-class organization.	<ul style="list-style-type: none">• Adopt leading practices to build a world-class organization.

Source: GAO

ter of any serious change management initiative. An organization's people define its culture, drive its performance, and embody its knowledge base, and thus are the keys to a successful transformation. Thus it is not surprising to find that a failure to address adequately—and often even to consider—a wide variety of people and cultural issues is at the heart of unsuccessful transformations. The key to success is to recognize the "people" element of a transformation and implement strategies to help individuals maximize their full potential in the new organization, while simultaneously minimizing the duration and significance of reduced productivity and effectiveness that inevitably occur as a result of the changes.

Transformation, Networks, and Governance

Recent issues of *PAR* have contained a number of valuable articles on governance challenges in the twenty-first century (see, for example, Agranoff 2003, 2005; Kim, Halligan, Cho, Oh, and Eikenberry 2005). As part of this governance perspective, there is a growing understanding in the United States and elsewhere that all meaningful results that government agencies hope to achieve are accomplished through collaborative relationships and networks. From the federal perspective, a network for any given result may include several federal agencies, domestic and international nongovernmental organizations, for-profit and not-for-profit contractors, quasi-governmental organizations, state and local governments, and others. In fact, an argument can be made that the essential ingredients of improved public performance in the twenty-first century are not so much strengthened internal workings of agencies, but rather improvements in how agencies collaborate and interact with other organizations through networks to achieve results. The point to all of this is that the transformations that are needed and under-

way in federal agencies generally need to be directed to a very specific end—to provide the agency with the capacity needed to understand the governance environment in which it operates and to contribute effectively to results within that environment.

The nature and scope of the governance challenges facing federal agencies are very well known. To raise just two very major and very public examples: the response to hurricanes Katrina and Rita and preparations for a possible flu pandemic. Regarding Katrina, in the coming months there will be plenty of assessments issued on what went well with the preparations, response, and recovery; what did not go well; and what needs to change now and for the future. However, one theme that is certain to emerge from those studies is the need for improved coordination within the federal government, across levels of government, and across sectors. Similarly, as part of the U.S. effort to prepare for a possible influenza pandemic, Health and Human Services Secretary Michael Levitt uses a briefing slide that notes, "preparing for a pandemic requires the leveraging of all instruments of national power, and coordinated action by all segments of government and society."

In short, building on the points made by Fernandez and Rainey, additional research is needed on whether and how organizational transformation leads to improved results in an environment characterized by the challenges to networked governance in the twenty-first century. A number of scholars have discussed important aspects of the needed transformations among federal agencies. For example, very insightful work has been done on the implications for the human capital competencies agencies will need to have to contribute successfully to shared results. Thoughtful work from a governance perspective also has been done on the im-

portance of viewing contracting as a key managerial competency and not just as a "back office" function. Still, additional work would no doubt be helpful. More specifically, we need case illustrations of how organizations' transformations have improved their capacity and success—as measured by greater contributions to shared results.

Notes

1. Much of the commentary that follows is based on—and in parts is taken directly from—published GAO reports cited in the references section. However, that material has been sufficiently expanded and modified that the views expressed should be considered those of the author and not necessarily those of the GAO.

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